

# **Budget Address**

## **Province of Nova Scotia**

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**Nova Scotia House of Assembly  
October 14, 1999**

**by the Honourable Neil J. LeBlanc  
Minister of Finance**



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## Introduction

Thank you Mr. Speaker.

I'm honoured to rise today to present to this House and to Nova Scotians a budget that represents a critical new beginning for our province.

It represents the first tangible step of many on the road to turning the philosophy and goals of this government into practical policy and meaningful accomplishments.

Today we embark upon what the poet Robert Frost called "the road less traveled." That road is less traveled because it is a difficult one, but it is the one that leads us in the right direction.

It is the right direction because Nova Scotians expect government to meet its commitments in a sensitive and sensible way.

This government believes that the importance of today's budget goes beyond the numbers it contains. It is a rededication to the commitments we made to Nova Scotians.

One commitment was to present an honest accounting of the Province's finances so that Nova Scotians might easily understand the magnitude of the challenges that we all face. That commitment has been kept.

It is no longer possible for the bottom line to be coloured by politics. I know that every member of this House agrees that this is the proper course to follow.

The consolidated financial statements indicate an unaudited provincial deficit of \$384 million for the last fiscal year. It is grim news that strengthens our resolve—but it's not beyond the ability of Nova Scotians to overcome that negative and create a positive future.

Government's role is to meet its commitment to provide high-quality essential services at a cost that taxpayers can afford. We must learn to live within our means.

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*A road less traveled*

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*Economy growing*

Les citoyens de la Nouvelle-Écosse ont la responsabilité de prendre part aux décisions, en tenant compte des services voulus et assurer que ces services seront offerts dans le futur. Ce n'est pas une responsabilité que les payeurs de taxes doivent au gouvernement—mais c'est plutôt une responsabilité que nous devons à nos enfants.

**Translation:** *Nova Scotians have a responsibility to share in the decision making and to reconcile expectations for services today with the duty to protect the opportunities of tomorrow. That's not a responsibility that taxpayers owe to government—it's a responsibility each of us owes to our children.*

It's important that Nova Scotians know the starting point for the journey to a truly balanced budget. The Nova Scotia economy is growing at a strong rate. In the last 12 months the economy created 16,000 new jobs and the taxes that go with them.

The result of this impressive economic performance shouldn't be a deficit that is out of control, a deficit that will push the provincial debt past the \$10 billion mark. But it is.

The hard-earned success of Nova Scotia taxpayers is being wasted on an excess of government.

That is the reason this government is dedicated to reducing its role in the lives of the public and in the economy. That is why this government believes it must choose a few critical tasks and do them very well.

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*Less government,  
more potential,  
for prosperity*

We believe that less government offers more potential for individual Nova Scotians, families, and communities to prosper. Smaller government is not an end, but rather, the means to a secure future.

If there were no deficit, if our debt load were not so heavy, this government would have a little more time to work with, but the road we chose would be the same.

We believe that this budget sets a clear course that will lead Nova Scotians into a secure, self-reliant, and sustainable future.

## Economic Conditions

Mr. Speaker, we are building on a strong economic base.

Nova Scotia's economy grew by more than 3.0 per cent annually over the past two years. Capital spending on the development of the Sable natural gas project is a key driving force behind the solid growth, but there is strength in other sectors as well.

In future, as Sable makes the transition from construction to production, we will see continued growth, but at a somewhat slower pace. Key sectors of our economy, including information technology, manufacturing for export, entertainment, and tourism will help maintain its momentum.

But we recognize that parts of our province face uncertainty and difficulty.

The closure of Devco's Phalen mine will mean the loss of many jobs one year earlier than anticipated. It makes the challenge of building a sound new economy in Cape Breton that much more difficult.

This government will continue to press Ottawa for more transition funding.

This government's commitment that no new tax dollars will be allocated to sustain Sysco will be kept. The plant must be sold or closed. This government's choice is to sell it, but if need be, we are prepared to see it closed.

This government also made a commitment to steel workers and their families that they would not be abandoned. That commitment will be kept if and when the time comes.

Next year this government will provide assistance for a multi-year plan to help Cape Breton begin the transition from an old-style industrial economy to a sustainable new economy.

Mr. Speaker, this government believes that it must be supportive of, but not an active participant in, the business community. Taxpayers should not, in general, own or operate businesses except under the most special circumstances.

Nova Scotia Resources Limited was a product of such special circumstances—the government's desire to provide incentives for new industry in Nova Scotia through the exploration and development of Sable offshore gas.

But, now the special circumstances are gone. Nova Scotia Resources Limited has served its purpose.

It will soon start to earn significant revenues, and we will look to maximize the value of its assets, including options for its sale.

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*Strong economic base*

## Fiscal 1998-99

### Revenues

Mr. Speaker, in 1998-99 a strong Nova Scotia economy meant increased revenues. More people working and more consumer spending translated into a 2.3 per cent increase in provincial own-source revenues.

A properly focused and efficient government should be able to pay its bills with this increasing rate of revenue, but unfortunately, the cost of program spending in Nova Scotia increased by 7.0 per cent over the same period.

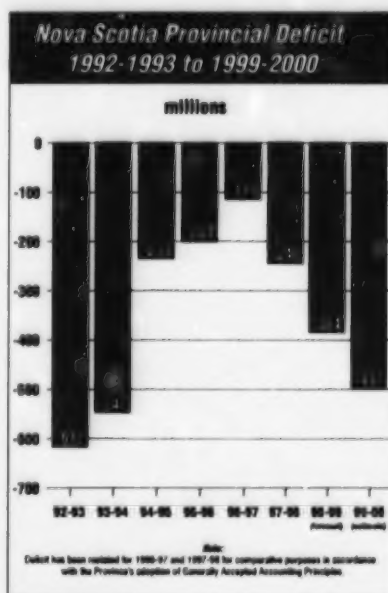
During these good times this province fell behind.

### Program Spending

Mr. Speaker, that growth in program spending is not sustainable. Unchecked it will ultimately mean the loss of even essential health and education services.

A proper accounting of Nova Scotia Resources Limited, Sysco, foreign exchange losses, regional health boards, and school boards resulted in a deficit forecast of \$384 million for 1998-99.

Between 1993 and 1997 government made progress towards a truly balanced budget, but never realized that goal. A review of government expenditures and revenues, using Generally Accepted Accounting Principles, indicates that after fiscal 1996-97 the deficit began to soar.



|                                    |         |
|------------------------------------|---------|
| Deficit 1996-97 (Re-stated) .....  | \$115 m |
| Deficit 1997-98 (Re-stated) .....  | \$245 m |
| Deficit 1998-99 (Forecast) .....   | \$384 m |
| Deficit 1999-2000 (Estimate) ..... | \$497 m |



## Debt Challenge

Mr. Speaker, this province is facing a debt challenge that is, by some measures, the worst in this country. More and more of Nova Scotians' tax dollars are being used to pay the interest on our debt.

Taxpayers continue to pay for the excesses of governments that tried to be all things to all people. Our children are being handed the bill for benefits they will never receive.

This province spends nearly \$800 million each year to service its debt. That's 17 cents of every dollar we collect from hard-working Nova Scotians and more than any other province in this country.

This province's total Net Direct Debt compared to the size of its economy is also the highest in Canada.

This government will move to stabilize our debt by meeting its commitment to achieve balanced budgets. We will also meet our commitment to reduce our exposure to the turbulence of international currency movements. We will continue to reduce the amount of debt that is at risk when the value of the Canadian dollar changes.

Effective immediately, it is the policy of this government that all foreign currency debt coming due for a term exceeding one year will be refinanced in a manner that eliminates foreign currency exposure.

This refinancing will be done either directly in Canadian dollars or in a fully covered non-Canadian-dollar issue. That is to say, if it is prudent to borrow in other currencies, we will fully hedge the transaction to protect us if the Canadian dollar drops.

Under this new policy, given our current stock of debt and current market levels, we would expect the Province's exposure to foreign currency debt will fall below 40 per cent no later than March 31, 2004.

This objective will be reviewed annually with a view toward reaching our ultimate goal of 20 per cent or less foreign currency exposure.

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*Foreign currency debt  
to be refinanced in C\$  
or fully hedged*

## Fiscal Overview 1999–2000

### Revenues

Mr. Speaker, the past is just that, the past. This government is concerned with securing the future. It is important that we are open with Nova Scotians about the challenges before them.

Our growing economy means that our own-source revenues will grow. But there is no windfall from Ottawa this year, and so revenue from all federal sources, including Prior Years' Adjustments, is forecast to decline.

Overall, we estimate Nova Scotia's total revenues will increase by \$72 million this year. Unfortunately, given the program expenditure commitments currently in place, this increase is not enough to allow this province to live within its means.

Again the successes of hard-working Nova Scotians cannot feed the continuing excesses of government.

### Program Spending and Debt Service Costs 1999–2000

Mr. Speaker, finger-pointing will achieve nothing constructive. What this government will concentrate on are the facts and the realities that we all face.

These are the facts and realities that have been brought into focus by the use of Generally Accepted Accounting Principles. While the realities are not pleasant, they come as no surprise. This government will not use them as an excuse to renege on our commitment to balance the budget in the third year of our mandate.

La somme de 250 millions de dollars, en soins de santé, n'était pas incluse dans les dépenses du budget 1999–2000. La somme prévue de 100 millions de dollars, en pertes à Sysco et NSRL, n'était aussi pas incluse. Les épargnes non réalisées, en productivité, de 60 millions de dollars étaient incluses. Mais la somme de 35 millions de dollars, en revenu du fédéral qui ne fut pas reçue, était incluse.

Cette province n'était pas, n'est pas, et ne sera pas, en une position de surplus pendant l'année financière 1999–2000.

**Translation:** The June budget did not include \$250 million in health care spending. It did not include an estimated \$100 million in losses at Sysco and Nova Scotia Resources Limited. It did include \$60 million in productivity savings that will not be achieved. And it included \$35 million from the federal government that will not be realized.

*This province was not, is not, and will not be in a surplus position for fiscal 1999–2000.*

*Economy not growing fast enough to finance program growth*

*Program spending growing faster than economy*

Other accounting and pension decisions were also not reflected in the previous budget.

More money was needed to cover Early Retirement Payments to the Teachers' Pension Plan. Millions had to be added to the budget of the Department of Economic Development to honour agreements with ACOA and to cover recommendations by the Auditor General.

These legitimate expenses add up to half a billion dollars.

This total did not include the cost of our initial commitments, which will be kept. Nor did it include the cost of the election itself, or the unforeseen need to provide money to assist communities to recover from the effects of natural disasters.

|   |                    |
|---|--------------------|
| Estimated Surplus in June Budget .....  | \$.1.6 m           |
| Increased Costs for Health Care ( <i>previously in Health Investment Fund</i> ) . . . .   | (\$204.6 m)        |
| Productivity Savings and Recoveries from Federal Government for<br>Information Initiatives ( <i>not expected to be realized</i> ) .....   | (\$95.0 m)         |
| Debt Servicing Cost Increases .....   | (\$76.6 m)         |
| Additional Cost to School Boards re: Teachers' Early Retirement Plan,<br>the Court Settlement re: teachers increments, and additional funding<br>for UCCB trades training ..... | (\$21.0 m)         |
| Community Services .....  | (\$5.0 m)          |
| Economic Development Commitments .....  | (\$12.3 m)         |
| Current Year Estimated Losses at Sysco and NSRL .....   | (\$96.9 m)         |
| Estimated Gains Other Enterprises due to Consolidation .....  | \$.8.0 m           |
| <b>Total Spending</b> ( <i>does not include election costs, extra revenues and<br/>cost of initial mandate implementation</i> ) .....   | <b>(\$501.8 m)</b> |

*Little room to  
immediately alter  
existing budget*

### ***Holding the Line***

Mr. Speaker, over the summer the Premier, then leader of the third party, was honest with the people of Nova Scotia. He told them there was little room to alter the existing budget with half the year gone, and the majority of costs fixed as salaries.

It is fair to say there were some initiatives, such as the increased funding to expand seats at the Nova Scotia Community Colleges, that all parties agreed with. The commitments have been kept on those items.

This government has been in office for less than 60 days, and the changes in this budget are subtle, but they do reflect our philosophy and goals, and present our initial efforts to meet our commitments.

This government committed to presenting the provincial finances in a complete and straightforward manner. It committed to reviewing all government programs and to cutting discretionary administrative spending. These commitments are being kept.

The result is that we have been able to find funding for the election, pay for our initial round of commitments, and hold the line on spending at the level that was forecast when we took office.

|  |                    |
|--|--------------------|
| Total Spending ( <i>does not include election costs, extra revenues and cost of initial mandate implementation</i> ) ..... | (\$501.8 m)        |
| Additional Election and Related Severance Costs .....  | (\$6.4 m)          |
| Government Mandate First-Year Implementation Costs .....   | (\$5.5 m)          |
| Additional Drought and Flood Spending .....  | (\$8.0 m)          |
| Additional Provisions for Restructuring Costs .....  | (\$15.5 m)         |
| Less: Additional Revenues .....  | \$18.8 m           |
| Less: Net Government Program Reductions .....  | \$21.8 m           |
| <b>Estimated Provincial Deficit</b> .....  | <b>(\$496.6 m)</b> |

This was accomplished because we have already made difficult decisions. We started with new programs and initiatives where work had not begun. One of the first programs affected by this criteria was the Charitable Casino Community Enhancement Program.

There are some who would like to see more sweeping changes and drastic measures immediately, but this government promised Nova Scotians they would share in the responsibility of making decisions that effect them.

This government is extremely mindful of that commitment, and in the coming months it will be kept.

### ***Administrative Savings***

Mr. Speaker, all departments and agencies have had their budgets adjusted to reduce administrative costs. The immediate goal was to cut the administrative cost of government by 3.0 per cent for the balance of the year.

Restrictions on non-essential hiring, reductions in travel, equipment purchases and related measures remain in place as we consider decisions on permanent change.

### ***Meeting Our Commitments***

Mr. Speaker, our many commitments to Nova Scotians are clear.

This government made a commitment to assume the debts of hospitals and health boards, to provide funding for nurses and for medical technologies, and to fund bursaries for nurses and medical students.

Those commitments have been kept.

This government promised to support community volunteers by offering to provide firefighters complimentary licence plates, to help fund a secure treatment centre, to improve the Public Prosecution Service by implementing the Kaufman Report, and to create a separate Department of Tourism and Culture.

There is money in this budget to meet all those commitments.

But our most important budget commitment is still before us. Today we put in place the foundation to meet it. That commitment is to present Nova Scotians with a truly balanced budget.

That commitment is grounded in our belief that government must live within its means.

Taxpayers do it; government must do it as well.

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*Mandate commitments  
to be kept*

Let there be no doubt, no misunderstanding: in the spring of 2002, this government will table a balanced budget. That is the commitment and it will be kept.

### ***Drought Relief and Flood Rebuilding***

Mr. Speaker, this government recognizes that one of the proper functions of government is to lend aid and comfort in situations where it is beyond the ability of individual Nova Scotians or communities to protect their interests.

The ongoing drought that has hurt our farmers is one of those circumstances.

This government will fulfill its duty by accelerating funding for drought relief. Six million dollars will immediately be brought forward, making a total of \$10 million available this year to address the most immediate concerns of our agricultural community.

The third year of drought conditions in this province makes it imperative that a long-term strategy be developed. In the meantime, moving some of the assistance ahead one year should help farmers without affecting our overall fiscal objectives.

This government will also provide \$2 million more in the transportation budget to help rebuild the infrastructure recently destroyed by flooding in northern Nova Scotia.

This is an urgent, unanticipated need, and we cannot do as much as we would like to, but we are doing what we can within our limited means.

## **General Fiscal Measures 1999–2000**

### ***Tax Credit Reviews***

Mr. Speaker, we are reviewing all our programs and services to ensure that they meet the following critical test: If the program did not exist, would we create it today? Is government the best option for providing the service? Is this program still meeting the goals and objectives originally established?

Programs that meet this test by providing an essential service at a sustainable cost will survive.

That review must include every segment of government, and so today I am announcing a similar review of our tax credit system.



Over the years we have developed many tax credits, tax expenditures, and rebates. We have tax rebates for fire trucks and new homes. We have tax credits for research and development and for buying a new piece of machinery.

My department is now working on a report that will show the costs and the benefits associated with each such measure. We will put them on the table for public comment. Tax credits that have become tax loopholes will be closed.

As a result of this review process, no new tax credit measures will go forward until we are able to report on the costs and benefits of the system we already have.

In order for this process to take place without disrupting an important part of our new economy I am announcing a one-year extension for the Film Development Tax Credit.

Mr. Speaker, as the Premier indicated earlier, it is our intention to discuss the operation of the Harmonized Sales Tax system with the federal government and the other participating provinces. Our objective is to gain more control over sales tax system decisions.

We are also concerned about our ability to control our own future when it comes to personal income taxes. My department is exploring the options, and we expect to release a discussion paper on the topic next year.

## **Looking Ahead**

### ***A Smaller Government***

Mr. Speaker, providing essential services, responding to acts of nature, and providing a climate for economic growth are legitimate roles for government.

Unfortunately there are many instances where government has used its power to impose itself where it does not belong.

A volunteer fire department trying to raise money runs into a red tape barrier on a liquor permit. A plant owner must pay a \$600 inspection fee for an engineer to take a quick look at a winch. A local community that wants to renovate a church hall runs into onerous provincial building code requirements.

---

*No new tax credits until  
review completed*

In each case a business, person, or community group is thwarted by government that fails to appreciate the value of self reliance. In each case we believe government acts without the support of the majority of Nova Scotians. That must stop.

In each case government grew bigger, taxes went higher, or the debt increased.

This government believes that its presence in any field must offer taxpayers benefits that clearly outweigh the costs.

This government will meet its commitment to establish a Red Tape Commissioner. Nova Scotians must know that provincial rules and regulations are necessary, and that there is a fair and open process for those effected to make their views known, before the rules become law.

### ***The Government Plan***

Mr. Speaker, red tape is not the cause of our difficulties, it is merely symptomatic of government's inability to judge what is important to the people, and what is best left to the people.

Without a strong sense of what it should do for the people the tendency is for government to try to do everything, perhaps not very well, but everything nonetheless. That is an abdication of government's responsibility to set priorities.

This government committed to a complete review of programs and services and to share the responsibility for making decisions with Nova Scotians. We are moving to meet that commitment.

Next week we will release the details of these plans for review and consultation.

In the next few months we will take the recommendations and make public the criteria we will use to make decisions. This government will then ask Nova Scotians to share their views on the appropriateness of the criteria.

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*Plans for review and  
consultation*



### ***Budget 2000–2001***

When our next budget is submitted to this House, this government will issue four-year targets for the public sector, including our partners in the health care and education systems.

We will give them the responsibility to provide Nova Scotians with essential services at a cost within taxpayers' ability to pay, and to submit a four-year business plan showing how they will meet that challenge.

Mr. Speaker, the Premier was honest and open with Nova Scotians. He told them there would be a deficit this year and he told them there would be a deficit next year. He was right.

In fact Mr. Speaker, we have had a deficit for many years. The attempts to put spending outside the budget have made a mockery of the Expenditure Control Act. As a matter of fundamental honesty, Mr. Speaker, the government has no option but to suspend the Act.

It is important to note that the true intention of the Expenditure Control Act was to send a message that government must live within its means. Mr. Speaker, this government has always accepted and supported that message. That is why the spring budget will include new legislation on fiscal accountability and will set a firm deadline to eliminate the provincial deficit by the start of fiscal year 2002–2003.

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*New legislation on  
fiscal accountability in  
spring 2000*

### ***Commitments to Employees***

Mr. Speaker, this process is obviously going to have an impact on the public-sector employees of Nova Scotia.

I want to assure them that we have begun the process of collective bargaining in good faith. No doubt there will be times when the goals of the government and unions will be in conflict, but we will work towards genuine compromise. It is our intention to reach agreements that are fair to public-sector employees and affordable for taxpayers.

We all have a part to play in finding solutions for our province and we are all in this together.

## **Conclusion**

Mr. Speaker, the 20th century is almost behind us. If ever there was a time for each of us to reflect on what government should or should not do, this is it.

If ever there was a time for government to demonstrate its respect for Nova Scotians by keeping its commitments and by returning power to its citizens, this is it.

And, if ever there was a time to rededicate government to providing basic healthcare, to protecting and educating our children, and to creating the opportunities for individual success and personal development, that time is now.

This budget starts us down the road to that vision. I will return to this House in the spring, after seeking the advice and support of Nova Scotians, with a four-year plan to implement a shared vision for the secure future of this province.

Mr. Speaker, in another decade or so our children will reflect upon the choices we have made today. Perhaps they will look to Robert Frost's words in judging our decisions. He wrote, and I agree, taking the road less traveled "has made all the difference."

Thank you Mr. Speaker.

# **Total Ordinary Revenues 1999-2000**

Key Assumptions—October 8, 1999



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**Report of the Auditor General to the House of  
Assembly on the Estimates  
of Revenue for the Fiscal Year 1999-2000 Used in the Preparation of the  
October 14, 1999 Budget Address**

I am required by Section 9B of the Auditor General Act to provide an opinion on the reasonableness of the estimates of revenue used in the preparation of the annual budget address of the Minister of Finance to the House of Assembly.

The estimates of revenue for the fiscal year 1999-2000 (the 1999-2000 revenue estimates) are the responsibility of the Department of Finance and have been prepared by departmental management using assumptions with an effective date of October 8, 1999. I have examined the support provided by the department for the assumptions, and the preparation and presentation of the 1999-2000 revenue estimates of \$4,622,985,000 for total ordinary revenue. My opinion does not cover the budget speech itself, the 1998-1999 forecast, the 1999-2000 expenditure estimates, sinking fund earnings, nor the recoveries, user fees or other income netted against expenditures for appropriation purposes. My examination was made in accordance with the applicable Auditing Guideline issued by the Canadian Institute of Chartered Accountants. I have no responsibility to update this report for events and circumstances occurring after the date of my report.

In my opinion:

- as at the date of this report, the assumptions used by the Department are suitably supported and consistent with the plans of the Government, as described to us by departmental management, and provide a reasonable basis for the 1999-2000 revenue estimates; and
- the 1999-2000 revenue estimates as presented reflect fairly such assumptions.

Since the 1999-2000 revenue estimates are based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, although I consider the 1999-2000 revenue estimates to be reasonable, I express no opinion as to whether they will be achieved.

A handwritten signature in dark ink, appearing to read "E.R. Salmon".

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
October 8, 1999

## Key Assumptions

### *Economic Outlook*

#### *National Economic Assumptions*

Canada's economy remained healthy in 1999 and will out-do its 1998 performance. This is confirmed by year-to-date economic indicators and forecasters have upgraded their forecast for Canada's economic performance in 1999. A surprisingly strong first half of 1999 followed by the anticipation of further but slower growth in the second half supports a real GDP growth rate of 3.3 per cent for 1999, compared to 3.1 per cent for 1998. The strength in the first half was fueled mostly by strong growth in exports and business spending. Comparing the second quarter of 1999 to the second quarter of 1998, exports of goods and services increased 10.1 per cent and fixed capital formulation increased 6.4 per cent.

Continued strong growth in the United States' economy has positively affected Canadian exports, especially merchandise shipments from central Canada. For the first seven months of 1999 over the first seven months of 1998, Canada's merchandise exports to the United States were up 15.0 per cent. With a forecast of slower growth for the United States in 2000, export sales should follow a similar pattern. Some of this deceleration in US trade will be replaced by an expected rebound in Western Europe and especially in the Asia-Pacific economies. Such a recovery would contribute to higher commodity prices in 2000, boosting the economies like British Columbia that depend on commodity exports. Firming

commodity prices also support appreciation in the Canadian dollar. Canadian exports of goods and services are expected to increase by 8.0 per cent in 1999 and again by 6.4 per cent, in 2000.

The strength in business spending is primarily the result of two factors: increased investment in machinery and equipment (as emerging capacity constraints are increasing the demand for new machinery and equipment) and new computer purchases for Y2K compliance. Another factor has been major investment projects in several provinces (e.g., energy projects in Atlantic Canada) over the last few years. For the second quarter of 1999 over the second quarter of 1998, investment in machinery and equipment increased by 7.5 per cent. More residential construction has also helped push up gross fixed-capital formulation—with an increase of 8.3 per cent comparing the second quarter of 1999 with the second quarter of 1998. The second quarter of 1999 saw a large build-up of business inventories over the first quarter, which suggests a slower pace of growth in the second half.

The outlook of continued but slower growth in 2000 is reflected in the forecast of 2.7 per cent growth in real GDP for 2000. Steady consumer spending and slower growth in business spending and exports support this outlook. Consumer spending on goods and services is expected to remain steady with a forecast of 3.9 per cent growth for 1999 and 2000. This forecast for

consumer spending can be seen in the forecast of increases in retail sales of 4.3 per cent in 1999 and 4.1 per cent in 2000. The value of retail sales for the first seven months of 1999 was up 4.5 per cent compared to the first seven months of 1998. The year-to-date total since May 1999 has been increasing at just over 4.0 per cent. Higher incomes underlie this outlook; personal income is expected to increase by 3.3 per cent for 1999 and 3.9 per cent for 2000.

Stronger labour income growth related to increased job numbers and higher wage settlements is the main reason for the forecast of higher personal income.

Continued growth helps to support the forecast of more jobs. It is anticipated that 1999 will see employment growth of 2.6 per cent followed by a slower pace of 2.0 per cent in 2000. For the first nine months of 1999, employment in Canada increased by 2.8 per cent, but job growth has shown a declining trend as the year has progressed.

With employment (labour demand) growing at a faster pace than the labour force (labour supply), the result is a falling unemployment rate. The forecast for labour force growth is 2.1 per cent for 1999 and 1.6 per cent for 2000.

Combined with the employment forecast, this means unemployment rates of 7.9 per cent for 1999 and 7.5 per cent for 2000.

A strong economy and improving commodity prices are increasing corporate profits. For the second quarter of 1999 corporate profits were up 15.3 per cent over those of the second quarter of 1998. It is expected that this pace will persist through 1999. Corporate profits growth of 5.0 per cent for 2000 reflects a slower-growing economy in 2000.

Recent increases in consumer prices suggest inflation rates (consumer price index) of 1.5 per cent for 1999 and 1.7 per cent for 2000. To the end of August, the consumer price index was running at 1.4 per cent over the same period in 1998. To the end of July the index was up 1.3 per cent. This forecast is at the low end of the Bank of Canada's inflation target range.

There are some risks to this forecast. The expected recovery in the Western European and Asia-Pacific economies may not be strong enough to help offset an anticipated slower US economy in 2000, resulting in a negative risk. In addition, the US economy may decelerate at a faster pace than expected in 2000, putting a negative risk to the forecast. Interest rates are expected to remain steady over the forecast period with a firming bias. Interest rate risk to the economic outlook stems from any aggressive move that the Federal Reserve Board might take in the near term.

| <b>National Forecast Assumptions</b>             | <b>1998</b> | <b>1999</b> | <b>2000</b> |
|--|-------------|-------------|-------------|
| Real Gross Domestic Product, 1992\$ (% increase) | 3.1         | 3.3         | 2.7         |
| Employment (% increase)                          | 2.8         | 2.6         | 2.0         |
| Unemployment Rate (%)                            | 8.3         | 7.9         | 7.5         |
| Personal Income (% increase)                     | 4.0         | 3.3         | 3.9         |
| Consumer Price Index (% increase)                | 0.9         | 1.5         | 1.7         |
| Retail Sales (% increase)                        | 3.6         | 4.3         | 4.1         |
| Corporate Profits before Tax (% increase)        | -6.0        | 15.3        | 5.0         |
| Exports of Goods and Services (% increase)       | 7.2         | 8.0         | 6.4         |
| Canadian Exchange Rate (US\$/C\$)*               | 0.665       | 0.675       | 0.690       |
| 3-Month Treasury Bill Rate (%)*                  | 4.82        | 4.75        | 5.00        |

Sources: Statistics Canada (actual), Nova Scotia Department of Finance (projections)

\* Indicates fiscal-year averages



It appears that concerns about the Y2K issue are attached mostly to the timing of consumer and business spending (before and after the new year) rather than to structural impacts on the economy, and this risk is considered to be essentially neutral over the forecast horizon.

The key national economic forecast assumptions incorporated into the budget are displayed on page A6.

### *Provincial Economic Conditions*

The Nova Scotia economy remains strong in 1999 and will continue to grow in 2000 but at a less rapid pace. Based on stronger merchandise exports and construction associated with the Sable gas projects, real GDP will increase by 3.4 per cent in 1999, after posting 3.6 per cent growth in 1998. For the first half of 1999, exports of merchandise goods to other countries were up 16.7 per cent over the same period in 1998. Increased exports of paper products, lumber, railcars, and shellfish are the driving forces behind the growth. This growth in merchandise exports leads the overall exports of goods and services to an expected gain of 10.9 per cent in 1999. Exports will continue to grow in 2000 reflecting the first full year of natural gas sales to US markets.

This growth in exports also underlines the growth in manufacturing shipments because the bulk of Nova Scotia manufactured goods are exported. To the end of July 1999, the value of manufacturing shipments was up 7.6 per cent over the same period in 1998.

Consumer spending on goods and services is expected to increase by 4.2 per cent for 1999. Support for this outlook can be seen in the value of retail sales for 1999. The value of retail sales from January to August was up 4.5 per cent over the same period in 1998. Higher incomes and more visitors help to explain this growth in retail sales. The total number of visitors travelling to Nova Scotia by

road for the first half of 1999 was up 12.0 per cent over the first half of 1998.

Personal income is expected to increase by 3.7 per cent in 1999 mostly because of higher labour income. Higher labour income is the result of employment growth and employees working more paid overtime as the construction phase of the Sable gas projects hit their peak level of activity during the year. For the first nine months of 1999 employment increased by 2.5 per cent over the same period in 1998. By the end of July 1999 compared to the same period in 1998, the number of employees working paid overtime had increased by 10 per cent.

The full impacts of the construction phase for Sable gas projects are reflected in key economic indicators. Other major construction projects—the Macdonald Bridge third-lane expansion, IIT-Sheraton Casino, Michelin modernization expansion, school construction and repair, and upgrades to 100-series highways—have also contributed to the growth in jobs and incomes. Separate hearings on the Halifax lateral and the provincial natural gas distribution system have been completed. It is anticipated that the results of those hearings will enable further construction activities into 2000.

For 2000 the Nova Scotia economy will continue to grow, but at a slower pace with real GDP increasing by 3.0 per cent. Growth is sustained by the value added from Sable gas and from continued overall export growth forecast at 7.4 per cent. However, no net change in employment is anticipated as the economy adjusts to the transition in the Sable gas projects from the construction phase to the operation phase and to earlier-than-scheduled closure of Devco's Phalen mine. This causes the unemployment rate to rise to 10.6 per cent, and personal income growth to slow to 2.5 per cent.

Corporate profits before tax will follow the overall performance of the economy in

1999 with a growth rate of 5.0 per cent. For the year 2000, however, corporate profits are expected to receive a boost from the sale of Sable gas primarily to US markets, producing a 27.2 per cent increase after adjusting for capital consumption allowance. Improvement in corporate profits in the forecast period is also attributed to higher commodity prices and to the addition of new manufacturing capacity. In the economic forecast, corporate profits before tax relate to economic activity occurring in the provincial economy and are not uniquely linked to the Corporate Income Tax (CIT) forecast. Corporate profits make up only one component of the overall CIT forecast. The CIT forecast is based primarily on federally forecasted corporate taxable income and is affected by other variables such as business take-up of provincial tax credit programs.

As with all economic forecasts there are positive and negative risks. The GDP growth outlook for 2000 depends considerably on the Sable gas projects. Consequently the forecast could be affected by variations in scheduling in the production of natural gas and gas liquids and in the construction of the Halifax lateral and a gas distribution system. Suspension, postponement, or

reconfiguration of the school construction and repair program would restrain investment spending. A more rapid appreciation of the Canadian dollar as well as a weaker-than-anticipated US economy could cool down export sales indicated in the forecast. Counter directions in the Canadian dollar and US economy could give an upside to the forecast.

The key provincial economic forecast assumptions incorporated into the budget are displayed in the schedule below.

### **Revenue Outlook**

In 1999–2000 total ordinary revenues are estimated to be \$4,623.0 million, an increase of 5.5 per cent over the 1998–99 estimate and an increase of 1.6 per cent over the 1998–99 forecast. The increase to the 1998–99 forecast is due to an increase in own-source revenues, primarily personal income tax revenues and HST revenues.

Own-source revenues are expected to increase by \$112 million to \$2.79 billion in 1999–2000. Federal transfers will increase by \$67 million over 1998–99 forecast levels.

Revenue estimates are detailed on page A7.

| <b>Provincial Forecast Assumptions</b>           | <b>1998</b> | <b>1999</b> | <b>2000</b> |
|--|-------------|-------------|-------------|
| Real Gross Domestic Product (billion 1992\$)     | 19.8        | 20.5        | 21.1        |
| Real Gross Domestic Product, 1992\$ (% increase) | 3.6         | 3.4         | 3.0         |
| Employment (% increase)                          | 3.0         | 2.3         | 0.0         |
| Unemployment Rate (%)                            | 10.7        | 9.7         | 10.6        |
| Personal Income (% increase)                     | 4.1         | 3.7         | 2.5         |
| Consumer Price Index (% increase)                | 0.6         | 1.3         | 1.8         |
| Retail Sales (% increase)                        | 4.2         | 4.0         | 3.8         |
| Corporate Profits before Tax (% increase)        | -2.0        | 5.0         | 27.2        |
| Exports of Goods and Services (% increase)       | 8.6         | 10.9        | 7.4         |

Sources: Statistics Canada (actual), Nova Scotia Department of Finance (projections)



| <b>Revenue Sources</b>     | <b>Actual</b> | <b>Forecast</b> | <b>Estimate</b> | <b>Change \$</b>    |
|----------------------------|---------------|-----------------|-----------------|---------------------|
| (\$ Thousands)             | 1997-98       | 1998-99         | 1999-2000       | 1999-00/<br>1998-99 |
| <b>Provincial Sources</b>  |               |                 |                 |                     |
| Personal Income Taxes      | 997,562       | 992,205         | 1,044,742       | 52,537              |
| Corporate Income Taxes     | 121,682       | 119,356         | 127,102         | 7,746               |
| Sales Tax (HST)            | 716,897       | 723,391         | 759,450         | 36,059              |
| Tobacco Tax                | 70,660        | 74,598          | 77,685          | 3,087               |
| Gasoline and Diesel Tax    | 204,114       | 211,606         | 219,945         | 8,339               |
| Liquor Commission Profits  | 118,477       | 129,200         | 133,500         | 4,300               |
| Gaming Corporation Profits | 141,172       | 144,414         | 161,622         | 17,208              |
| Interest Revenues          | 34,844        | 32,784          | 35,325          | 2,541               |
| Registry of Motor Vehicles | 54,884        | 60,980          | 56,335          | (4,645)             |
| Other Provincial Sources   | 155,583       | 186,217         | 171,056         | (15,161)            |
| Total Provincial           | 2,615,875     | 2,674,751       | 2,786,762       | 112,011             |
| <b>Federal Sources</b>     |               |                 |                 |                     |
| Equalization Payments      | 1,194,359     | 1,260,683       | 1,257,629       | (3,054)             |
| CHST                       | 438,669       | 426,874         | 414,355         | (12,519)            |
| Harmonization Compensation | 118,600       | 77,700          | 52,700          | (25,000)            |
| Other Federal Sources      | 3,296         | 3,845           | 111,539         | 107,694             |
| Total Federal Sources      | 1,754,924     | 1,769,102       | 1,836,223       | 67,121              |
| Other Sources              |               |                 |                 |                     |
| Prior Years' Adjustments   | 75962         | 106769          | —               | (106,769)           |
| Total Ordinary Revenue     | 4,446,761     | 4,550,622       | 4,622,985       | 72,363              |

### **Income Taxes**

#### **Personal Income Tax**

The 1998-99 forecast of personal income tax was up by \$19.1 million on a tax-year basis over the original estimate for 1998-99. Two factors primarily contribute to this. First, the level of basic federal tax, the base upon which Nova Scotia Personal Income Tax (PIT) is calculated, is expected to be higher than originally anticipated and, second, budget impacts are expected to be lower than originally estimated.

Growth in PIT between forecast 1998-99 and estimate 1999-2000 is due largely to growth in expected national Basic Federal Tax and the reassignment of a program cost from a revenue reduction to an expenditure outside the revenue estimate.

#### **Corporate Income Tax**

On a tax-year basis, the forecast of 1998-99 Corporate Income Tax (CIT) was lower by \$1.8 million, or 1.5 per cent, than 1998-99 estimate. The lower estimate was based on lower expected budget impacts of \$1.75 million.

For 1999-2000, federally forecasted national Corporate Taxable Income, the base upon which Nova Scotia Corporate Taxable Income is estimated, is expected to rise by roughly 6.3 per cent. Nova Scotia credits are expected to increase 30.2 per cent, or \$10.2 million, over 1998-99, resulting in a rise of 6.5 per cent in CIT on a fiscal-year basis. The increase in CIT credits was primarily due to the growth in manufacturing and processing credit.

### **Corporate Capital Tax (Non-Financial Institutions)**

Corporate Capital Tax was introduced effective April 1, 1997. It is collected from large corporations and it is based on their financial capital. The 1999–2000 estimate of \$47.0 million is about 9.3 per cent higher than the 1998–99 forecast of \$43.0 million because of the expected growth in capital stock of these firms.

### **Consumption Taxes**

#### **Harmonized Sales Tax (HST)**

Harmonized Sales Tax revenues are estimated to total \$771.8 million before rebates in 1999–2000. The HST became effective April 1, 1997, replacing the former Health Services Tax and the Amusement Tax. Sales tax rebates for new housing, books, volunteer fire departments, and persons with disabilities are forecast at \$12.3 million. The net sales tax of \$759.5 million is only slightly more than the combined 1996–97 sales tax revenues (Health Services Tax and Amusements Tax) of \$750.7 million under the former sales tax regime. Despite a drop in the provincial sales tax rate from 11.0 per cent to 8.0 per cent, tax revenues are back to pre-harmonization levels. This is because the HST tax base is growing faster than the former tax base. Sales tax revenues are forecast to increase by 5.0 per cent over 1998–99. The growth in HST revenues between 1998–99 and 1999–2000 results from robust economic activity, including a strong rebound in our housing market.

Under the terms of the harmonization agreement, HST revenues are collected by the federal government and distributed to participating provinces according to a revenue allocation formula. The formula is currently under development by the federal government and the participating provinces. As an interim measure, the federal government is making a series of pre-determined payments, adjusted for provincial rebates. The formula is expected to be complete by July 1, 2000, at which time the province could be subject to a prior years' adjustment (positive or negative) based on the difference between the formula allocation and the amounts recorded by the Province.

The forecasts and estimates produced by the Province are based on economic and consumer spending assumptions made by the Province and are designed to minimize, as much as possible, any prior years' adjustment. It is recognized that the allocation formula will not be finalized until the project to improve provincial economic accounts, undertaken by Statistics Canada, and actual tax collections data from Revenue Canada Taxation are complete.

#### **Tobacco Tax**

Tobacco tax revenues are estimated to total \$77.7 million in 1999–2000, resulting in a 4.2 per cent increase over the forecast for 1998–99. Consumption of tobacco products declined in 1998–99 and are expected to stabilize in the short term. The Government of Nova Scotia will continue to explore with the federal and other provincial governments initiatives such as improved compliance to ensure the integrity of this revenue source.

### **Motive Fuel Taxes**

Motive fuel taxes for 1998–99 are forecast to reach \$211.6 million, 2.1 per cent higher than the 1998–99 budget estimate. Increased consumption driven by economic factors such as improved employment and spending are behind this increase of 3.9 per cent in 1999–2000 to \$220.0 million.

### **Profits of Crown Corporations**

#### **Nova Scotia Liquor Commission**

Nova Scotia Liquor Commission profits are estimated to be \$133.5 million in 1999–2000, an increase of 3.3 per cent over the 1998–99 forecast. The 1999–2000 estimate is based on the performance in 1998–99, therefore, a strong performance in 1998–99 creates a strong base for 1999–2000. Improved consumer confidence in 1998–99 is expected to result in an increase in 1999–2000 over 1998–99.

### **Nova Scotia Gaming Corporation**

Nova Scotia Gaming Corporation profits are expected to increase in 1999–2000 over the 1998–99 forecast by 11.9 per cent. The growth in gaming revenues in 1999–2000 over 1998–99 is due to a number of factors including the introduction of new products in 1999–2000 and anticipated growth in existing products. The revenue estimates for the Gaming Corporation are net of profit sharing arrangements with First Nations bands regarding the Sydney Casino.

The budgeted net operating income of the Sydney and Halifax casino assumes that the GST/HST dispute between NSGC and the operator will be resolved in favor of NSGC. Should the dispute be resolved in favor of the operator, the net operating income of NSGC for the year ending March 31, 2000 would be reduced by

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### **Revenue Source**

### **Key Variables**

|                            |  |
|----------------------------|--|
| Personal Income Taxes      | <ul style="list-style-type: none"><li>– personal income levels by type</li><li>– national levels of basic federal tax</li><li>– Nova Scotia share of national levels</li></ul> |
| Corporate Income Taxes     | <ul style="list-style-type: none"><li>– corporate taxable income levels (national)</li><li>– Nova Scotia share of national levels</li><li>– tax credit usage</li></ul>         |
| HST                        | <ul style="list-style-type: none"><li>– personal consumer expenditure levels</li><li>– spending by exempt industries</li><li>– rebate levels</li></ul>                         |
| Commodity Taxes            | <ul style="list-style-type: none"><li>– personal consumer expenditure levels</li><li>– tobacco and fuel consumption patterns</li></ul>   |
| Liquor Commission Profits  | <ul style="list-style-type: none"><li>– personal consumer expenditure levels</li><li>– consumption patterns</li></ul>  |
| Gaming Corporation Profits | <ul style="list-style-type: none"><li>– personal consumer expenditure levels</li><li>– gaming patterns</li></ul>   |
| Equalization               | <ul style="list-style-type: none"><li>– changes in 33 different tax bases</li><li>– changes in population</li><li>– economic activity in NS vs the standard</li></ul>          |
| CHST                       | <ul style="list-style-type: none"><li>– changes in personal and corporate taxes</li><li>– changes in population</li><li>– changes in tax point values</li></ul>                |

approximately \$6.0 million. Similarly, a cumulative reduction in net operating income of \$20.9 million related to previous years would need to be accounted for by NSGC. Payments to the province would have to be reduced by \$20.9 million for the pre-1999–2000 amounts.

### ***Federal Transfers***

#### **Equalization**

Fiscal Equalization revenue is estimated to decrease by \$3.1 million over forecast 1998–99 to \$1,257.6 million. Equalization reflects revised tax bases combined with revenue information as of October 8, 1999. New information to update tax bases and very strong growth in personal and corporate income tax in Ontario for 1998–99 has maintained the standard for Equalization for 1999–2000. The estimate uses Nova Scotia's estimate of corporate and personal income taxes and results in an entitlement higher than the official federal estimate.

#### **The Canada Health and Social Transfer**

(CHST) cash entitlement is forecast to be \$13.8 million lower in 1998–99 than the estimate. In 1999–2000, the CHST cash entitlement for Nova Scotia is estimated to be \$414.4 million, \$12.5 million lower than the 1998–99 forecast. This decrease is primarily due to a rise in the tax point value, which reduces the cash value. The total provincial entitlement is composed of the provincial allocation of a fixed national entitlement. The cash estimate reflects internal assumptions on the levels of personal and corporate income tax.

#### **The CHST Health Supplement**

In its 1999–2000 Budget, the federal government announced a one-time supplement of \$3.5 billion nationally

to be paid on a per-capita basis to provinces for health care, through the CHST program. Nova Scotia's share of the \$3.5 billion is \$107.1 million.

#### **The HST Transitional Assistance**

The HST Transitional Assistance represents the amortization of funds provided by the federal government to help offset the anticipated losses to the Province from adopting the Harmonized Sales Tax. Under the terms of the negotiated agreement, the federal government provided a total of \$249 million to the Province to assist with these losses over a four-year period. The amount included for 1997–98, \$118.6 million, represented an estimate of the total revenue loss for that year as calculated at the beginning of the period, April 1, 1997. The four-year fiscal plan tabled in the 1997–98 Government by Design document included \$77.7 million in the 1998–99 fiscal year and \$52.7 million in the 1999–2000 fiscal year. The amortization of this transitional assistance was based on the anticipated revenue gap between the Harmonized Sales Tax and the previous Health Services Tax, which is expected to close over time as the economic benefits of harmonization accrue.

#### **Sensitivity**

Revenue estimates are based on number of economic and other variable and assumptions. As these variables change throughout the year (as more information becomes available), they have an impact, either negative or positive, on the revenue forecasts. It is important to note that these variables can move quite independently of each other and often have offsetting results. The table on page A9 lists the major revenue sources of the Province and indicates some of the key variables that affect that source's forecast throughout the year.

### ***Additional Information***

In addition to the key economic and fiscal assumptions contained in the 1999–2000 revenue estimates, the following information should also be taken into account when interpreting the revenue estimates.

The revenue estimates are considered to have been prepared on a basis consistent with accounting policies currently used by the Province to record and/or recognize revenue for purposes of its traditional non-consolidated financial statements. It is acknowledged that the provincial estimates, including revenue estimates, provide information only on the consolidated fund. These revenue estimates do not include estimates of revenues from other reporting entities included in the consolidated financial statements.

The Department of Finance and other departments or agencies of the Province have prepared their specific revenue estimates for 1999–2000 using a combination of current internal and external models and other information available. Every effort has been made to ensure the integrity of the results of the models and other information. As actual or more current information becomes available, adjustments to the projection of revenues may be necessary.

The revenue forecast to be received through federal transfer payment programs pursuant to the Federal-Provincial Fiscal Arrangements Act incorporate official and unofficial information released by the federal government as of October 8, 1999. Prior Years' Adjustments (PYAs) are normally made to federal transfers and to income tax revenues. All PYAs to date have been included for

1998–99 including the 1996–97 final equalization payment received on April 1, 1999.

Recoveries of expenditures under various federal-provincial agreements, or from other departments or entities, and user fees have been estimated and netted against departmental expenditures for purpose of approval for appropriations for 1999–2000.

Any and all impacts or implications of the government's actions or plans to reduce or further control public sector expenditures have been fully considered and appropriately reflected in the specific revenue estimates.

### ***Y2K***

The Province is assessing the risk of the year 2000 (Y2K) problem. With respect to revenues, these risks centre around three primary areas: the risks associated with revenues transferred from or collected by the federal government on behalf of the Province (these account for over 80 per cent of total ordinary revenues), the risks associated with provincial collection systems, and the risks associated with third parties over which the Province has no control (these include risks to private corporation and banking systems that are required to remit revenues to the Province or the federal government). A preliminary review indicates that there is little risk associated with the transfer of revenues from the federal government. Provincial systems are under review and remedial action will be taken where necessary. The revenue estimates contained in the budget have been prepared on the assumption that there will be little or no interruption of revenue streams as a result of Y2K.





**Financial and Supplementary Information**  
to the Budget Address 1999–2000

**BUDGETARY SUMMARY**  
(\$ thousands)

Schedule 1

| ESTIMATE<br>1997-1998 | ACTUAL<br>1997-1998 | ESTIMATE<br>1998-1999 | FORECAST<br>1998-1999 |  | ESTIMATE<br>1999-2000 |
|-----------------------|---------------------|-----------------------|-----------------------|--|-----------------------|
| 4,240,674             | 4,446,761           | 4,382,718             | 4,550,622             | Ordinary Revenue                                     | 4,622,985             |
|                       |                     |                       |                       | Net Expenditures                                     |                       |
| 3,509,422             | 3,742,852           | 3,690,824             | 4,005,760             | Net Program Expenditures                             | 4,231,177             |
| 727,280               | 665,413             | 690,742               | 805,733               | Net Debt Servicing Costs                             | 799,552               |
| 4,236,702             | 4,408,265           | 4,381,566             | 4,811,493             |  | 5,030,729             |
| 3,972                 | 38,496              | 1,152                 | (260,871)             |  | (407,744)             |
|                       |                     |                       |                       | Surplus (Deficiency) for<br>Government Organizations |                       |
|                       |                     |                       | (31,783)              | School Board Deficits and<br>Pension Obligations     | ---                   |
|                       |                     |                       | 9,600                 | Other Organizations                                  | ---                   |
|                       |                     |                       | (22,183)              |  | ---                   |
|                       |                     |                       |                       | Surplus (Deficiency) for<br>Government Enterprises   |                       |
|                       |                     |                       | (75,600)              | Nova Scotia Resources Limited                        | (65,100)              |
|                       |                     |                       | (40,431)              | Sydney Steel Corporation                             | (31,800)              |
|                       |                     |                       | 14,979                | Other Enterprises                                    | 8,000                 |
|                       |                     |                       | (101,052)             |  | (88,900)              |
|                       |                     |                       | (384,106)             | Provincial Surplus (Deficit)                         | (496,644)             |



**ORDINARY REVENUE - SUMMARY**

Schedule 2

**By Revenue Source**

(\$ thousands)

| <b>ESTIMATE</b><br>1997-1998   | <b>ACTUAL</b><br>1997-1998 | <b>ESTIMATE</b><br>1998-1999 | <b>FORECAST</b><br>1998-1999 |                                   | <b>ESTIMATE</b><br>1999-2000 |
|--|----------------------------|------------------------------|------------------------------|-----------------------------------|------------------------------|
| <b>Provincial Sources</b>  |                            |                              |                              |                                   |                              |
| 939,079  | 997,562                    | 980,752                      | 992,205                      | Personal Income Tax               | 1,044,742                    |
| 113,044  | 121,682                    | 122,622                      | 119,356                      | Corporate Income Tax              | 127,102                      |
| 668,879  | 716,897                    | 737,373                      | 723,391                      | Harmonized Sales Tax              | 759,450                      |
| 199,500  | 204,114                    | 207,300                      | 211,606                      | Motive Fuel Taxes                 | 219,945                      |
| 143,624  | 141,172                    | 160,171                      | 144,414                      | Gaming Corporation Profits        | 161,622                      |
| 116,693  | 118,477                    | 121,400                      | 129,200                      | Liquor Commission Profits         | 133,500                      |
| 351,279  | 315,971                    | 347,183                      | 354,579                      | Other Provincial Sources          | 340,401                      |
| <b>2,531,498</b>   | <b>2,615,875</b>           | <b>2,676,801</b>             | <b>2,674,751</b>             |                                   | <b>2,786,762</b>             |
| <b>Federal Sources</b>   |                            |                              |                              |                                   |                              |
| 1,149,788  | 1,194,359                  | 1,183,503                    | 1,260,683                    | Equalization                      | 1,257,629                    |
| 437,771  | 438,669                    | 440,647                      | 426,874                      | Canada Health and Social Transfer | 521,487                      |
|  |                            |                              |                              | Federal Compensation for          |                              |
| 118,600  | 118,600                    | 77,700                       | 77,700                       | Harmonization                     | 52,700                       |
| 3,017  | 3,296                      | 4,067                        | 3,845                        | Other Federal Sources             | 4,407                        |
| <b>1,709,176</b>   | <b>1,754,924</b>           | <b>1,705,917</b>             | <b>1,769,102</b>             |                                   | <b>1,836,223</b>             |
| <b>Prior Years' Adjustments -<br/>Federal-Provincial<br/>Fiscal Arrangements</b> |                            |                              |                              |                                   |                              |
| ---  | 75,962                     | ---                          | 106,769                      |                                   | ---                          |
| <b>4,240,674</b>   | <b>4,446,761</b>           | <b>4,382,718</b>             | <b>4,550,622</b>             |                                   | <b>4,622,985</b>             |

**NET PROGRAM EXPENDITURES -  
SUMMARY**  
(\$ thousands)

Schedule 3

| <b>ESTIMATE</b><br>1997-1998 | <b>ACTUAL</b><br>1997-1998 | <b>ESTIMATE</b><br>1998-1999 | <b>FORECAST</b><br>1998-1999 |                                 | <b>ESTIMATE</b><br>1999-2000 |
|------------------------------|----------------------------|------------------------------|------------------------------|---------------------------------|------------------------------|
| 32,102                       | 33,480                     | 34,296                       | 35,626                       | Agriculture and Marketing       | 42,238                       |
| 38,063                       | 38,565                     | 29,213                       | 31,318                       | Business and Consumer Services  | 33,135                       |
| 548,245                      | 556,825                    | 559,967                      | 565,829                      | Community Services              | 580,173                      |
| 72,863                       | 86,931                     | 58,904                       | 77,268                       | Economic Development            | 60,268                       |
| 771,763                      | 771,649                    | 829,193                      | 898,330                      | Education                       | 873,746                      |
| 182,980                      | 182,980                    | 188,493                      | 188,487                      | Assistance to Universities      | 197,232                      |
| 18,053                       | 17,019                     | 16,023                       | 15,480                       | Environment                     | 15,678                       |
| 9,666                        | 9,430                      | 9,781                        | 8,332                        | Finance                         | 9,941                        |
| 6,144                        | 6,355                      | 5,885                        | 5,863                        | Fisheries and Aquaculture       | 9,396                        |
| 1,286,097                    | 1,426,686                  | 1,455,102                    | 1,632,042                    | Health                          | 1,770,630                    |
| 103,263                      | 96,864                     | 107,330                      | 106,328                      | Housing and Municipal Affairs   | 101,938                      |
| 4,032                        | 4,003                      | 4,118                        | 3,983                        | Human Resources                 | 4,334                        |
| 75,257                       | 75,257                     | 74,724                       | 80,118                       | Justice                         | 82,582                       |
| 10,838                       | 24,145                     | 9,303                        | 10,328                       | Labour                          | 11,040                       |
| 57,299                       | 59,528                     | 55,064                       | 53,886                       | Natural Resources               | 56,707                       |
| 47,406                       | 55,822                     | 70,103                       | 67,389                       | Public Service                  | 86,015                       |
| ---                          | ---                        | ---                          | ---                          | Tourism and Culture             | 40,456                       |
| 255,841                      | 263,180                    | 236,526                      | 236,468                      | Transportation and Public Works | 239,568                      |
| (42,000)                     | (20,134)                   | (56,330)                     | (14,099)                     | Unallocated Recoveries          | ---                          |
| 31,510                       | 54,267                     | 3,129                        | 2,784                        | Restructuring Costs             | 16,100                       |
| <b>3,509,422</b>             | <b>3,742,852</b>           | <b>3,690,824</b>             | <b>4,005,760</b>             |                                 | <b>4,231,177</b>             |

**NOTE:** Net Program Expenditures include Net Current Account Expenditures, Net Capital Account Expenditures and Restructuring Costs.

**NET DEBT SERVICING COSTS -**  
**SUMMARY**  
(\$ thousands)

Schedule 4

| <b>ESTIMATE</b><br>1997-1998 | <b>ACTUAL</b><br>1997-1998 | <b>ESTIMATE</b><br>1998-1999 | <b>FORECAST</b><br>1998-1999 |                                 | <b>ESTIMATE</b><br>1999-2000 |
|------------------------------|----------------------------|------------------------------|------------------------------|---------------------------------|------------------------------|
| 855,180                      | 797,785                    | 821,942                      | 952,449                      | Debt Servicing Costs            | 949,252                      |
| (127,900)                    | (132,372)                  | (131,200)                    | (146,716)                    | Less: Sinking Fund Earnings     | (149,700)                    |
| <u>727,280</u>               | <u>665,413</u>             | <u>690,742</u>               | <u>805,733</u>               | <b>Net Debt Servicing Costs</b> | <u>799,552</u>               |

**STATUTORY CAPITAL ITEMS - SUMMARY**  
(\$ thousands)

Schedule 5

| <b>ACTUAL</b><br>1997-1998   | <b>ESTIMATE</b><br>1998-1999 | <b>FORECAST</b><br>1998-1999 |   | <b>ESTIMATE</b><br>1999-2000 |
|--|------------------------------|------------------------------|---|------------------------------|
| <b>CAPITAL ADVANCES AND INVESTMENTS</b>  |                              |                              |   |                              |
| The following is given for information as to the proposed program.                   |                              |                              |   |                              |
| <b>Additional Advances and Investments (A)</b>                                       |                              |                              |   |                              |
| 7,684  | 11,000                       | 10,003                       | Fisheries Development Fund                                | 15,000                       |
| 14,041   | 11,882                       | 17,983                       | Housing Development Fund                                  | 16,505                       |
| 7,707  | 75,000                       | 32,464                       | Industrial Development Act                                | 30,000                       |
| 30,887   | 64,000                       | 36,671                       | Nova Scotia Business Development Corporation              | 55,000                       |
| 26,505   | 30,000                       | 28,731                       | Nova Scotia Farm Loan Board                               | 35,000                       |
| <b>86,824</b>  | <b>191,882</b>               | <b>125,852</b>               |   | <b>151,505</b>               |
| <b>Repayments (A)</b>  |                              |                              |   |                              |
| 113,897  | ---                          | ---                          | Deuterium of Canada Act                                   | ---                          |
| 9,064  | 8,000                        | 9,267                        | Fisheries Development Fund                                | 8,500                        |
| 10,622   | 13,203                       | 22,496                       | Housing Development Fund                                  | 14,421                       |
| 624  | 3,000                        | 65                           | Industrial Development Act                                | 2,000                        |
| 29   | 180                          | 13                           | Municipal Hospitals Loan Act                              | 13                           |
| 404  | 13                           | 381                          | Municipal Loan and Building Fund Act                      | 321                          |
| 16,641   | 16,000                       | 21,880                       | Nova Scotia Business Development Corporation              | 16,000                       |
| 22,716   | 24,000                       | 17,647                       | Nova Scotia Farm Loan Board                               | 19,000                       |
| 226  | ---                          | ---                          | Venture Corporations Act                                  | ---                          |
| 909  | 609                          | 600                          | Miscellaneous   | 486                          |
| <b>175,132</b>   | <b>65,005</b>                | <b>72,349</b>                |   | <b>60,741</b>                |
| <b>(88,308)</b>  | <b>126,877</b>               | <b>53,503</b>                | <b>Net Capital Advances and Investments</b>               | <b>90,764</b>                |
| <b>DEPARTMENT OF TRANSPORTATION (B)<br/>AND PUBLIC WORKS MACHINERY<br/>PURCHASES</b> |                              |                              |   |                              |
| <b>3,292</b>   | <b>3,300</b>                 | <b>3,811</b>                 | Machinery purchases financed through depreciation charges | <b>4,200</b>                 |
| <b>CAPITAL ADVANCES UNDER THE<br/>APPROPRIATIONS ACT</b>                             |                              |                              |   |                              |
| <b>22</b>  | <b>45</b>                    | <b>45</b>                    | Agriculture and Marketing                                 | <b>45</b>                    |

- (A) - Capital Advances and Investments for which no Vote is required under the Appropriations Act. The Spending Authority is contained in the respective Statutes. Borrowing provided for under the Appropriations Act.  
(B) - Spending Authority contained in the Public Highways Act.



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**DEBT SERVICING COSTS -  
SENSITIVITY ANALYSIS**

Schedule 6

| <u><b>Change in Financial Market Value</b></u> | <u><b>Change in<br/>Debt Servicing Costs<br/>(C\$ millions)</b></u> |
|--|---|
| 1% change in Canada 3-month treasury bill      | 3.6   |
| 1% change in Canada 10-year bond               | 2.4   |
| 1% change in US 3-month treasury bill          | 0.7   |
| 1 Canadian cent change per 1 US dollar         | 2.7   |
| 1 Japanese yen change per 1 US dollar          | 0.5   |

**INTEREST RATE and FOREIGN EXCHANGE  
RATE ASSUMPTIONS**

Schedule 7

|                                    | <b>ESTIMATE<br/>1998-1999</b> | <b>AVERAGE<br/>1998-1999<br/>Actual</b> | <b>31-MAR-99<br/>Actual</b> | <b>ESTIMATE<br/>1999-2000<br/>Assumptions</b> |
|------------------------------------|-------------------------------|---|-----------------------------|---|
| <b>Foreign Exchange Rates</b>      |                               |   |                             |   |
| United States Dollar               |                               |   |                             |   |
| CAD/USD                            | 1.4000                        | 1.5037                                  | 1.5092                      | 1.4815  |
| USD/CAD                            | \$0.7140                      | \$0.6650                                | \$0.6626                    | \$0.6750                                      |
| Japanese Yen                       |                               |   |                             |   |
| JPY/USD                            | 128.0                         | 127.96                                  | 118.4                       | 103.0   |
| CAD/JPY                            | 0.01094                       | 0.01175                                 | 0.01275                     | 0.014383                                      |
| Swiss Franc                        |                               |   |                             |   |
| CHF/USD                            | 1.4600                        | 1.4380                                  | 1.4770                      | 1.4700  |
| CAD/CHF                            | 0.9589                        | 1.0457                                  | 1.0221                      | 1.0078  |
| <b>10-Year Government Rates</b>    |                               |   |                             |   |
| Canada                             | 6.15%                         | 5.22%                                   | 5.10%                       | 6.00%   |
| <b>3-Month Treasury Bill Rates</b> |                               |   |                             |   |
| Canada                             | 4.80%                         | 4.81%                                   | 4.64%                       | 4.75%   |
| United States                      | 5.35%                         | 4.72%                                   | 4.53%                       | 4.75%   |

All assumptions except "31-Mar-99, Actual" are shown as average levels for the relevant fiscal year.

**Interest Rate and Foreign Exchange Rate Assumptions**

The interest rate and foreign exchange rate assumptions that are used to estimate fiscal year 1999-2000 Debt Servicing Costs (DSC) are shown in Schedule 6 under the column "1999-2000 Assumptions." The table also shows the assumptions used to estimate DSC for fiscal year 1998-1999 and the actual levels achieved in that fiscal year. The column "1998-1999, Average Actual" shows the average actual level for the period from April 1998 to March 1999. The column "31-Mar-99, Actual" shows the actual level on March 31, 1999.

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**PROJECTED DEBT SERVICING COSTS**  
(\$ millions)

Schedule 8

|                             | <b>ESTIMATE</b><br>1998-1999 | <b>FORECAST</b><br>1998-1999 | <b>ESTIMATE</b><br>1999-2000 |
|-----------------------------|------------------------------|------------------------------|------------------------------|
| Gross Debt Servicing Costs  | 821.9                        | 952.4                        | 949.3                        |
| Less: Sinking Fund Earnings | (131.2)                      | (146.7)                      | (149.7)                      |
| Net Debt Servicing Costs    | 690.7                        | 805.7                        | 799.6                        |



**PROJECTED BORROWING REQUIREMENTS**  
(\$ millions)

Schedule 9

|  | ESTIMATE<br>1998-1999 | FORECAST<br>1998-1999 |               | ESTIMATE<br>1999-2000 |               |
|--|-----------------------|-----------------------|---------------|-----------------------|---------------|
| Government Operations                          | (1.2)                 | 260.9                 |               | 407.7                 |               |
| Non-Cash Requiring Transactions (1)            | 160.0                 | (42.4)                |               | 54.3                  |               |
| <b>Cash Operating Requirements</b>             | <b>158.8</b>          | <b>218.5</b>          | 16.0%         | <b>462.0</b>          | 38.6%         |
| Debt Retirement and Investments (2)            | 705.1                 | 972.9                 |               | 421.4                 |               |
| <b>Cash Debt Retirement</b>                    | <b>705.1</b>          | <b>972.9</b>          | 71.1%         | <b>421.4</b>          | 35.2%         |
| Public Debt Retirement Fund<br>Instalments (3) | 100.0                 | 19.0                  |               | ---                   |               |
| Public Debt Retirement Fund Income (4)         | 45.6                  | 71.3                  |               | 66.7                  |               |
| Public Debt Retirement Fund Withdrawals        | (438.6)               | ---                   |               | ---                   |               |
| <b>Net PDRF requirements</b>                   | <b>(293.0)</b>        | <b>90.3</b>           | 6.6%          | <b>66.7</b>           | 5.6%          |
| Sinking Fund Instalments (3)                   | 225.3                 | 198.7                 |               | 242.6                 |               |
| Sinking Fund Income (4)                        | 134.0                 | 146.7                 |               | 149.7                 |               |
| Sinking Fund Withdrawals                       | (291.0)               | (259.2)               |               | (145.5)               |               |
| <b>Net Sinking Fund Requirements</b>           | <b>68.3</b>           | <b>86.2</b>           | 6.3%          | <b>246.8</b>          | 20.6%         |
| <b>Total Borrowing Requirements</b>            | <b>639.2</b>          | <b>1,367.9</b>        | <b>100.0%</b> | <b>1,196.9</b>        | <b>100.0%</b> |
| Term Debt Borrowing (Proceeds)                 | 639.2                 | 1,362.8               | 99.6%         | 1,196.9               | 100.0%        |
| Short-Term Borrowing                           |                       | 5.1                   | 0.4%          |                       |               |
| <b>Total Borrowing Requirements</b>            | <b>639.2</b>          | <b>1,367.9</b>        | <b>100.0%</b> | <b>1,196.9</b>        | <b>100.0%</b> |
| Term Debt Borrowing (Proceeds):                |                       |                       |               |                       |               |
| Domestic Syndicated Issues (4 Issues)          |                       | 1,014.7               |               |                       |               |
| Structured Domestic Issues (6 Issues)          |                       | 321.0                 |               |                       |               |
| Canada Pension Plan (1 Issue)                  |                       | 27.1                  |               |                       |               |
| <b>Total - Term Debt Borrowing</b>             |                       | <b>1,362.8</b>        |               |                       |               |

- (1) - Includes deferred recognition of federal transfer payments, amortized foreign exchange losses, transfers to pension funds, net capital advances, GST/PST harmonization payments and other non-cash requiring transactions.
- (2) - Debt Retirement assumes there will be no early exercise of call or put provisions associated with the outstanding debt.
- (3) - Sinking funds are required to be maintained for certain debt issues in accordance with debenture covenants. The Province maintains sinking funds for all debt issues as a matter of policy. Public Debt Retirement Funds are designed to help manage short term liquidity and prefunding.
- (4) - Sinking Fund and Public Retirement Fund income is included in the calculation of the provincial (surplus)/deficit but retained in the funds and therefore not available for consolidated fund operating activities. Thus it is shown as a borrowing requirement.

**PROJECTED GROSS and NET DEBT**  
(\$ millions)

Schedule 10

|   | <b>ACTUAL</b><br>1997-1998 | <b>ESTIMATE</b><br>1998-1999<br>(recasted) | <b>FORECAST</b><br>1998-1999 | <b>ESTIMATE</b><br>1999-2000 |
|---|----------------------------|--|------------------------------|------------------------------|
| <b>Gross Debt</b>   |                            |  |                              |                              |
| Opening Balance   | 10,781.8                   | 10,778.3                                   | 10,927.5                     | 11,736.4                     |
| Borrowing Program/Related Investments   | 1,782.0                    | 639.2                                      | 1,367.9                      | 1,196.9                      |
| Debt Retirement and Short Term Investments                                    | (1,610.5)                  | (705.1)                                    | (972.9)                      | (421.4)                      |
| Foreign Exchange (Gain)/Loss  | 41.0                       | (16.0)                                     | 483.8                        | 50.5                         |
| On-lending to Government Organizations and<br>Government Business Enterprises | (324.7)                    | ---  | (180.2)                      | (24.1)                       |
| Change in Net Unfunded Debt   | 257.9                      | 25.7                                       | 130.3                        | ---                          |
| Closing Balance   | 10,927.5                   | 10,722.1                                   | 11,736.4                     | 12,538.3                     |
| <b>Less: Public Debt Retirement Funds</b>                                     |                            |  |                              |                              |
| Opening Balance   | 709.5                      | 780.0                                      | 780.0                        | 870.3                        |
| Instalments   | 0.8                        | 100.0                                      | 19.0                         | ---                          |
| Earnings including Foreign Exchange Gain/(Loss)                               | 69.7                       | 45.6                                       | 71.3                         | 66.7                         |
| Debt Retirement   | ---                        | (438.6)                                    | ---                          | ---                          |
| Closing Balance   | 780.0                      | 487.0                                      | 870.3                        | 937.0                        |
| <b>Less: Sinking Funds</b>  |                            |  |                              |                              |
| Opening Balance   | 1,552.3                    | 1,642.3                                    | 1,642.3                      | 1,711.5                      |
| Instalments and Serial Retirements  | 192.3                      | 225.3                                      | 198.7                        | 242.6                        |
| Earnings including Foreign Exchange Gain/(Loss)                               | 132.4                      | 134.0                                      | 129.7                        | 149.7                        |
| Debt Retirement   | (234.7)                    | (291.0)                                    | (259.2)                      | (145.5)                      |
| Closing Balance   | 1,642.3                    | 1,710.6                                    | 1,711.5                      | 1,958.3                      |
| <b>Net Debt</b>   | <b>8,505.2</b>             | <b>8,524.5</b>                             | <b>9,154.6</b>               | <b>9,643.0</b>               |

Gross Debt includes outstanding debentures, short term promissory notes net of related investments, debt associated with hospitals and public schools, debt assumed for Teacher's Pension Fund, and Members' Retiring Fund, less on-lending. The amount does not include the deficiency in net assets of the Crown corporations, Nova Scotia Resources Limited and Sydney Steel Corporation, nor certain pension liabilities.

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**PROJECTED NET DIRECT DEBT**  
(\$ millions)

Schedule 11

|   | <b>ACTUAL</b><br>1997-1998 | <b>FORECAST</b><br>1998-1999 | <b>ESTIMATE</b><br>1999-2000 |
|---|----------------------------|------------------------------|------------------------------|
| <b>Opening Balance</b>  | <b>8,982.2</b>             | <b>8,933.4</b>               | <b>9,568.5</b>               |
| Government Operations   | 72.6                       | 260.9                        | 407.7                        |
| Provision for Government Organizations and<br>Government Business Enterprises | 178.7                      | 123.2                        | 88.9                         |
| Provision for Change in Unfunded<br>Pension Liabilities                       | (300.1)                    | 251.0                        | ---                          |
| <b>Increase (Decrease) in Net Direct Debt</b>                                 | <b>(48.8)</b>              | <b>635.1</b>                 | <b>496.6</b>                 |
| <b>Closing Balance</b>  | <b>8,933.4</b>             | <b>9,568.5</b>               | <b>10,065.1</b>              |

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**Net Direct Debt**

Net Direct Debt is calculated by subtracting the total amount of assets from the total amount of liabilities recorded on the province's financial statements at the end of each fiscal year.





# **HISTORICAL ANALYSIS OF ORDINARY REVENUES BY SOURCE**

Schedule 12

|   | 1995-1996        | 1996-1997        | 1997-1998        | FORECAST<br>1998-1999 | ESTIMATE<br>1999-2000 |
|---|------------------|------------------|------------------|-----------------------|-----------------------|
| <b>REVENUE BY SOURCE</b>                      |                  |                  |                  |                       |                       |
| (\$ thousands)                                |                  |                  |                  |                       |                       |
| <b>Provincial Sources</b>                     |                  |                  |                  |                       |                       |
| Personal Income Tax                           | 881,773          | 951,529          | 997,562          | 992,205               | 1,044,742             |
| Corporate Income Tax                          | 99,137           | 112,310          | 121,682          | 119,356               | 127,102               |
| Sales Tax                                     | 746,610          | 739,851          | 716,897          | 723,391               | 759,450               |
| Tobacco Tax                                   | 67,712           | 86,344           | 70,660           | 74,598                | 77,685                |
| Motive Fuel Taxes                             | 197,486          | 198,668          | 204,114          | 211,606               | 219,945               |
| Gaming Corporation Profits                    | 121,931          | 133,388          | 141,172          | 144,414               | 161,622               |
| Liquor Commission Profits                     | 113,175          | 116,104          | 118,477          | 129,200               | 133,500               |
| Interest Revenues                             | 38,482           | 35,778           | 34,844           | 32,784                | 35,325                |
| Registry of Motor Vehicles                    | 56,046           | 58,624           | 54,884           | 60,980                | 56,335                |
| Other Provincial Sources                      | 103,163          | 105,009          | 155,583          | 186,217               | 171,056               |
| Prior Years' Adjustments - Provincial Sources | (3,937)          | 65,371           | 5,891            | 31,435                | ---                   |
| <b>Federal Sources</b>                        |                  |                  |                  |                       |                       |
| Equalization                                  | 1,126,187        | 1,115,691        | 1,194,359        | 1,260,683             | 1,257,629             |
| Established Programs Financing                | 364,663          | ---              | ---              | ---                   | ---                   |
| Canada Assistance Plan                        | 268,485          | ---              | ---              | ---                   | ---                   |
| Canada Health and Social Transfer             | ---              | 536,412          | 438,669          | 426,874               | 521,487               |
| Federal Compensation for Harmonization        | ---              | ---              | 118,600          | 77,700                | 52,700                |
| Other Federal Sources                         | 2,306            | 3,438            | 3,296            | 3,845                 | 4,407                 |
| Prior Years' Adjustments - Federal Sources    | 53,815           | (12,472)         | 70,071           | 75,334                | ---                   |
| <b>Total Ordinary Revenues</b>                | <b>4,237,034</b> | <b>4,246,045</b> | <b>4,446,761</b> | <b>4,550,622</b>      | <b>4,622,985</b>      |

## **REVENUE BY SOURCE**

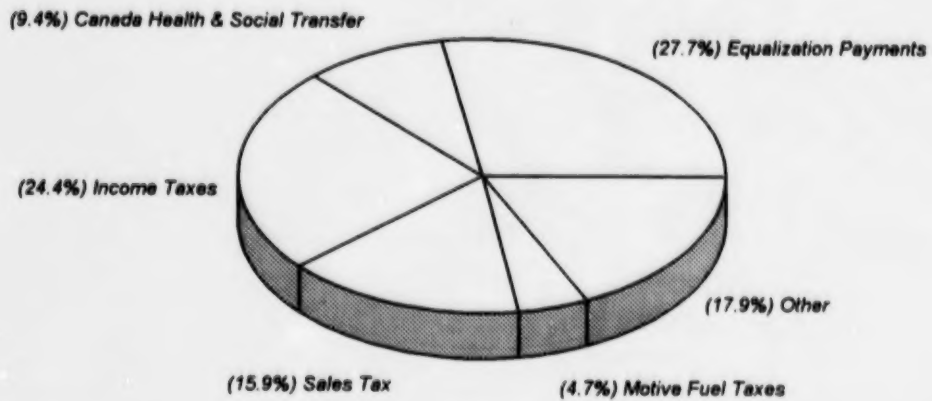
(as a percentage of Total Ordinary Revenues)

|   |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Provincial Sources</b>                     |               |               |               |               |               |
| Personal Income Tax                           | 20.8%         | 22.4%         | 22.4%         | 21.8%         | 22.6%         |
| Corporate Income Tax                          | 2.3%          | 2.6%          | 2.7%          | 2.6%          | 2.7%          |
| Sales Tax                                     | 17.6%         | 17.4%         | 16.1%         | 15.9%         | 16.4%         |
| Tobacco Tax                                   | 1.6%          | 2.0%          | 1.6%          | 1.6%          | 1.7%          |
| Motive Fuel Taxes                             | 4.7%          | 4.7%          | 4.6%          | 4.7%          | 4.8%          |
| Gaming Corporation Profits                    | 2.9%          | 3.1%          | 3.2%          | 3.2%          | 3.5%          |
| Liquor Commission Profits                     | 2.7%          | 2.7%          | 2.7%          | 2.8%          | 2.9%          |
| Interest Revenues                             | 0.9%          | 0.8%          | 0.8%          | 0.7%          | 0.8%          |
| Registry of Motor Vehicles                    | 1.3%          | 1.4%          | 1.2%          | 1.3%          | 1.2%          |
| Other Provincial Sources                      | 2.4%          | 2.5%          | 3.5%          | 4.1%          | 3.7%          |
| Prior Years' Adjustments - Provincial Sources | -0.1%         | 1.5%          | 0.1%          | 0.7%          | ---           |
| <b>Total - Provincial Sources</b>             | <b>57.2%</b>  | <b>61.3%</b>  | <b>59.0%</b>  | <b>59.5%</b>  | <b>60.3%</b>  |
| <b>Federal Sources</b>                        |               |               |               |               |               |
| Equalization                                  | 26.6%         | 26.3%         | 26.9%         | 27.7%         | 27.2%         |
| Established Programs Financing                | 8.6%          | ---           | ---           | ---           | ---           |
| Canada Assistance Plan                        | 6.3%          | ---           | ---           | ---           | ---           |
| Canada Health and Social Transfer             | ---           | 12.6%         | 9.9%          | 9.4%          | 11.3%         |
| Federal Compensation for Harmonization        | ---           | ---           | 2.7%          | 1.7%          | 1.1%          |
| Other Federal Sources                         | 0.1%          | 0.1%          | 0.1%          | 0.1%          | 0.1%          |
| Prior Years' Adjustments - Federal Sources    | 1.3%          | -0.3%         | 1.6%          | 1.7%          | ---           |
| <b>Total - Federal Sources</b>                | <b>42.8%</b>  | <b>38.7%</b>  | <b>41.0%</b>  | <b>40.5%</b>  | <b>39.7%</b>  |
| <b>Total Ordinary Revenues</b>                | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

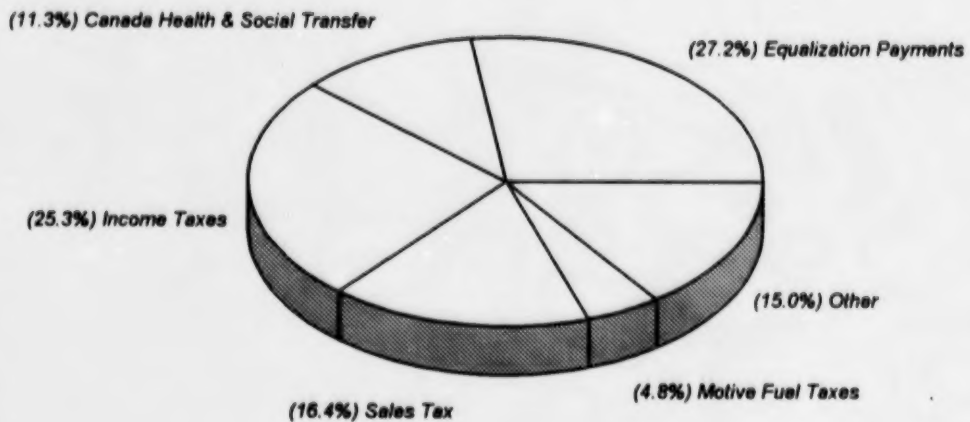
## ORDINARY REVENUES BY SOURCE

Chart 1

1995-1999



1999-2000





# **HISTORICAL ANALYSIS OF TOTAL NET EXPENDITURES BY FUNCTION**

Schedule 13

|                                       | 1995-1996        | 1996-1997        | 1997-1998        | FORECAST<br>1998-1999 | ESTIMATE<br>1999-2000 |
|---------------------------------------|------------------|------------------|------------------|-----------------------|-----------------------|
| <b>FUNCTION</b>                       |                  |                  |                  |                       |                       |
| <i>(\$ thousands)</i>                 |                  |                  |                  |                       |                       |
| General Government                    | 109,442          | 130,998          | 146,374          | 125,374               | 158,770               |
| Public Protection                     | 162,616          | 140,133          | 130,524          | 144,007               | 152,765               |
| Transportation                        | 241,310          | 210,206          | 216,395          | 189,928               | 192,216               |
| Resource Development                  | 167,947          | 144,209          | 158,847          | 160,033               | 173,619               |
| Health                                | 1,329,658        | 1,318,899        | 1,472,827        | 1,654,261             | 1,800,775             |
| Social Services                       | 544,450          | 547,898          | 570,858          | 561,599               | 568,339               |
| Education                             | 963,562          | 953,564          | 941,965          | 1,054,545             | 1,067,179             |
| Culture and Recreation                | 36,782           | 37,115           | 38,753           | 39,025                | 43,014                |
| Municipal Affairs                     | 102,181          | 67,533           | 66,309           | 76,988                | 74,500                |
| <b>Total Net Program Expenditures</b> | <b>3,657,948</b> | <b>3,550,555</b> | <b>3,742,852</b> | <b>4,005,760</b>      | <b>4,231,177</b>      |
| Debt Servicing Costs                  | 896,588          | 811,082          | 797,785          | 952,449               | 949,252               |
| <b>Total Net Expenditures</b>         | <b>4,554,536</b> | <b>4,361,637</b> | <b>4,540,637</b> | <b>4,958,209</b>      | <b>5,180,429</b>      |

## **FUNCTION** *(as a percentage of Total Net Expenditures)*

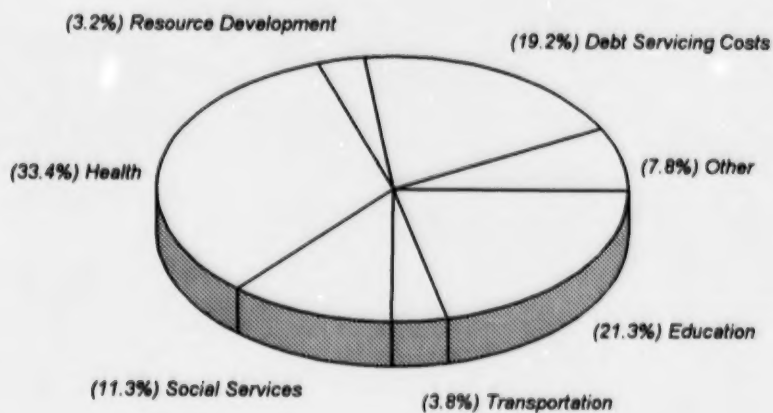
|                                       |               |               |               |               |               |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| General Government                    | 2.4%          | 3.0%          | 3.2%          | 2.5%          | 3.1%          |
| Public Protection                     | 3.6%          | 3.2%          | 2.9%          | 2.9%          | 2.9%          |
| Transportation                        | 5.3%          | 4.8%          | 4.8%          | 3.8%          | 3.7%          |
| Resource Development                  | 3.7%          | 3.3%          | 3.5%          | 3.2%          | 3.4%          |
| Health                                | 29.2%         | 30.2%         | 32.4%         | 33.4%         | 34.8%         |
| Social Services                       | 12.0%         | 12.6%         | 12.6%         | 11.3%         | 11.0%         |
| Education                             | 21.2%         | 21.9%         | 20.7%         | 21.3%         | 20.6%         |
| Culture and Recreation                | 0.8%          | 0.9%          | 0.9%          | 0.8%          | 0.8%          |
| Municipal Affairs                     | 2.2%          | 1.5%          | 1.5%          | 1.6%          | 1.4%          |
| <b>Total Net Program Expenditures</b> | <b>80.3%</b>  | <b>81.4%</b>  | <b>82.4%</b>  | <b>80.8%</b>  | <b>81.7%</b>  |
| Debt Servicing Costs                  | 19.7%         | 18.6%         | 17.6%         | 19.2%         | 18.3%         |
| <b>Total Net Expenditures</b>         | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

**NOTE:** Total Net Expenditures include Net Current Account Expenditures, Net Capital Account Expenditures, Restructuring Costs and Debt Servicing Costs.

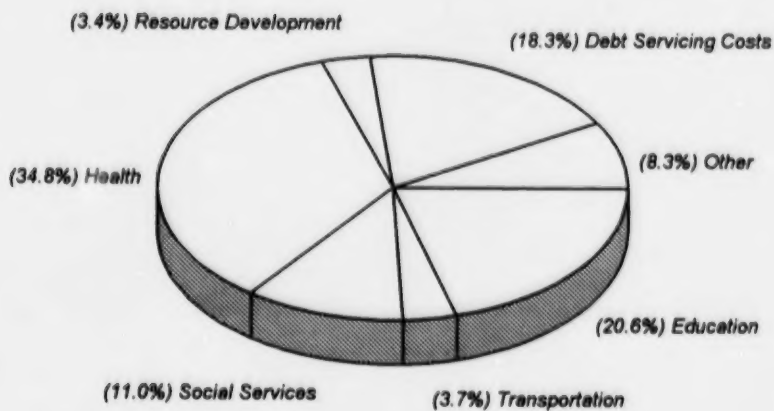
## TOTAL NET EXPENDITURES BY FUNCTION

Chart 2

1998-1999



1999-2000



**NOTE:** Total Net Expenditures include Net Current Account Expenditures, Net Capital Account Expenditures, Restructuring Costs and Debt Servicing Costs.

# NET ORDINARY EXPENDITURES BY FUNCTION

Schedule 14

|  | 1995-1996        | 1996-1997        | 1997-1998        | FORECAST<br>1998-1999 | ESTIMATE<br>1999-2000 |
|--|------------------|------------------|------------------|-----------------------|-----------------------|
| <b>FUNCTION</b>                        |                  |                  |                  |                       |                       |
| (\$ thousands)                         |                  |                  |                  |                       |                       |
| General Government                     | 96,522           | 128,780          | 139,862          | 120,405               | 155,572               |
| Public Protection                      | 156,231          | 135,397          | 130,193          | 141,839               | 146,666               |
| Transportation                         | 109,289          | 145,168          | 130,780          | 128,875               | 133,499               |
| Resource Development                   | 152,788          | 143,468          | 157,785          | 159,851               | 173,481               |
| Health                                 | 1,279,837        | 1,299,551        | 1,455,264        | 1,626,787             | 1,771,574             |
| Social Services                        | 544,083          | 547,840          | 570,858          | 561,424               | 568,321               |
| Education                              | 920,446          | 900,360          | 906,262          | 959,997               | 1,036,565             |
| Culture and Recreation                 | 34,660           | 34,484           | 36,230           | 36,724                | 39,118                |
| Municipal Affairs                      | 46,489           | 48,065           | 48,065           | 56,028                | 60,185                |
| <b>Total Net Program Expenditures</b>  | <b>3,340,345</b> | <b>3,383,113</b> | <b>3,575,099</b> | <b>3,791,930</b>      | <b>4,084,981</b>      |
| Debt Servicing Costs                   | 896,588          | 811,082          | 797,785          | 952,449               | 949,252               |
| <b>Total Net Ordinary Expenditures</b> | <b>4,236,933</b> | <b>4,194,195</b> | <b>4,372,884</b> | <b>4,744,379</b>      | <b>5,034,233</b>      |

# NET CAPITAL EXPENDITURES BY FUNCTION

Schedule 15

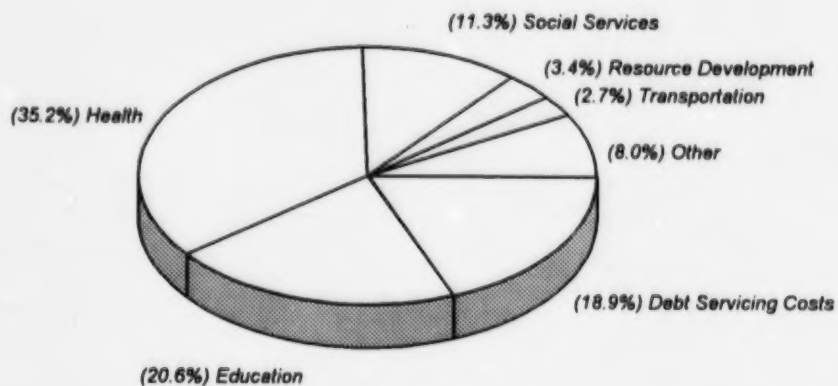
|                                       | 1995-1996      | 1996-1997      | 1997-1998      | FORECAST<br>1998-1999 | ESTIMATE<br>1999-2000 |
|---------------------------------------|----------------|----------------|----------------|-----------------------|-----------------------|
| <b>FUNCTION</b>                       |                |                |                |                       |                       |
| (\$ thousands)                        |                |                |                |                       |                       |
| General Government                    | 12,920         | 2,218          | 6,712          | 4,969                 | 3,198                 |
| Public Protection                     | 6,385          | 4,736          | 331            | 2,168                 | 6,099                 |
| Transportation                        | 132,021        | 65,038         | 85,615         | 61,053                | 58,717                |
| Resource Development                  | 15,159         | 741            | 1,062          | 182                   | 138                   |
| Health                                | 49,821         | 19,348         | 17,563         | 27,474                | 29,201                |
| Social Services                       | 367            | 58             | —              | 175                   | 18                    |
| Education                             | 43,116         | 53,204         | 35,703         | 94,548                | 30,614                |
| Culture and Recreation                | 2,122          | 2,631          | 2,523          | 2,301                 | 3,896                 |
| Municipal Affairs                     | 55,692         | 19,468         | 18,244         | 20,960                | 14,315                |
| <b>Total Net Capital Expenditures</b> | <b>317,603</b> | <b>167,442</b> | <b>167,753</b> | <b>213,830</b>        | <b>146,196</b>        |

**NOTE:** Total Net Program Expenditures include Net Current Account Expenditures and Restructuring Costs.

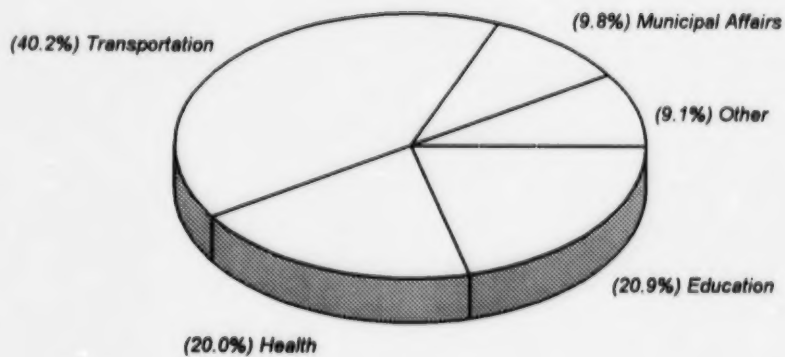
**NET ORDINARY AND CAPITAL EXPENDITURES  
BY FUNCTION**

Chart 3

**NET ORDINARY EXPENDITURES  
1999-2000**



**NET CAPITAL EXPENDITURES  
1999-2000**



# SUMMARY OF REVENUES AND EXPENDITURES BY SOURCE AND FUNCTION

Schedule 16

(\$ thousands)

| ESTIMATE<br>1998-1999               | FORECAST<br>1998-1999 | CHANGE<br>OVER<br>ESTIMATE<br>1998-1999 |   | ESTIMATE<br>1999-2000 |
|-------------------------------------|-----------------------|---|---|-----------------------|
| <b>Net Revenues by Source</b>       |                       |   |   |                       |
| Provincial Sources                  |                       |   |   |                       |
| 980,752                             | 992,205               | 11,453                                  | Personal Income Tax   | 1,044,742             |
| 122,622                             | 119,356               | (3,266)                                 | Corporate Income Tax  | 127,102               |
| 737,373                             | 723,391               | (13,982)                                | Harmonized Sales Tax  | 759,450               |
| 76,505                              | 74,598                | (1,907)                                 | Tobacco Tax   | 77,685                |
| 207,300                             | 211,606               | 4,306                                   | Motive Fuel Taxes   | 219,945               |
| 160,171                             | 144,414               | (15,757)                                | Gaming Corporation Profits  | 161,622               |
| 121,400                             | 129,200               | 7,800                                   | Liquor Commission Profits   | 133,500               |
| 33,856                              | 32,784                | (1,072)                                 | Interest Revenues   | 35,325                |
| 57,100                              | 60,980                | 3,880                                   | Registry of Motor Vehicles  | 58,335                |
| 179,722                             | 186,217               | 6,495                                   | Other Provincial Sources  | 171,056               |
| Federal Sources                     |                       |   |   |                       |
| 1,183,503                           | 1,260,683             | 77,180                                  | Equalization  | 1,257,629             |
| 440,647                             | 426,874               | (13,773)                                | Canada Health and Social Transfer   | 521,487               |
| 77,700                              | 77,700                | ---                                     | Federal Compensation for Harmonization  | 52,700                |
| 4,067                               | 3,845                 | (222)                                   | Other Federal Sources   | 4,407                 |
| ---                                 | 106,769               | 106,769                                 | Prior Years' Adjustments - Federal-Provincial<br>Fiscal Arrangements                  | ---                   |
| <u>4,382,718</u>                    | <u>4,550,622</u>      | <u>167,904</u>                          | <b>Total - Net Revenues</b>   | <u>4,622,985</u>      |
| <b>Net Expenditures by Function</b> |                       |   |   |                       |
| 68,563                              | 125,374               | 56,811                                  | General Government  | 158,770               |
| 139,232                             | 144,007               | 4,775                                   | Public Protection   | 152,765               |
| 193,264                             | 189,928               | (3,336)                                 | Transportation  | 192,216               |
| 141,092                             | 160,033               | 18,941                                  | Resource Development  | 173,619               |
| 1,474,107                           | 1,654,261             | 180,154                                 | Health  | 1,800,775             |
| 556,139                             | 561,599               | 5,460                                   | Social Services   | 568,339               |
| 999,332                             | 1,054,545             | 55,213                                  | Education   | 1,067,179             |
| 38,286                              | 39,025                | 739                                     | Culture and Recreation  | 43,014                |
| 80,809                              | 76,988                | (3,821)                                 | Municipal Affairs   | 74,500                |
| <u>3,690,824</u>                    | <u>4,005,760</u>      | <u>314,936</u>                          | <b>Total Net Program Expenditures</b>   | <u>4,231,177</u>      |
| <u>690,742</u>                      | <u>805,733</u>        | <u>114,991</u>                          | <b>Net Debt Servicing Costs</b>   | <u>799,552</u>        |
| <u>4,381,566</u>                    | <u>4,811,493</u>      | <u>429,927</u>                          | <b>Total - Net Expenditures</b>   | <u>5,030,729</u>      |
| <u>1,152</u>                        | <u>(260,871)</u>      | <u>(262,023)</u>                        |   | <u>(407,744)</u>      |
|                                     | <u>(123,235)</u>      |   | <b>Surplus (Deficiency) for Government<br/>Organizations and Business Enterprises</b> | <u>(88,900)</u>       |
|                                     | <u>(384,106)</u>      |   | <b>Provincial Surplus (Deficit)</b>   | <u>(496,644)</u>      |



**GROSS DOMESTIC PRODUCT**  
**at MARKET PRICES**  
 (Constant 1992 \$ millions)

Schedule 17

| YEAR | NOVA<br>SCOTIA (1) | GROWTH<br>RATE % | CANADA (2) | GROWTH<br>RATE % |
|------|--------------------|------------------|------------|------------------|
| 1992 | 18,125             |                  | 698,544    |                  |
| 1993 | 18,260             | 0.7              | 714,583    | 2.3              |
| 1994 | 18,363             | 0.6              | 748,350    | 4.7              |
| 1995 | 18,689             | 1.8              | 769,082    | 2.8              |
| 1996 | 18,810             | 0.6              | 782,130    | 1.7              |
| 1997 | 19,151             | 1.8              | 813,031    | 4.0              |
| 1998 | 19,836 *           | 3.6              | 838,265    | 3.1              |
| 1999 | 20,508 p           | 3.4              | 865,628 p  | 3.3              |
| 2000 | 21,116 p           | 3.0              | 889,288 p  | 2.7              |

1 Source: Statistics Canada, Provincial Economic Accounts, Cat. No. 13-213-PPB

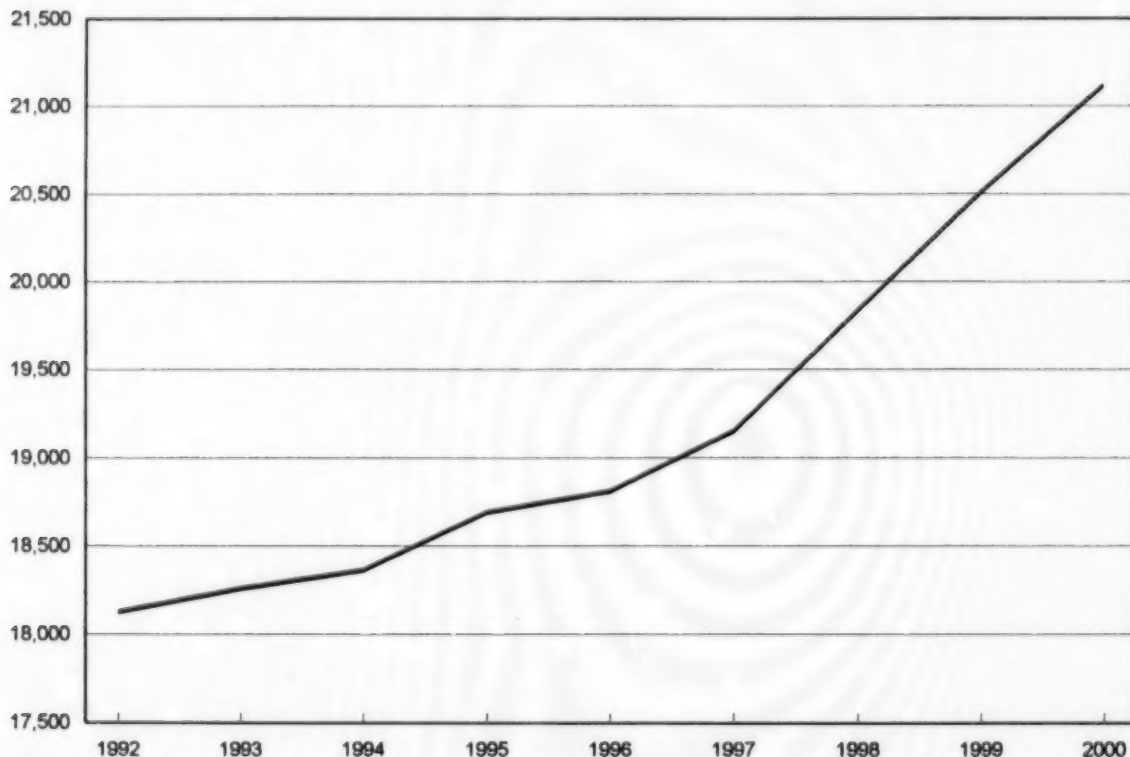
2 Source: Statistics Canada, National Income and Expenditure Accounts, Cat. No. 13-001-PPB

\* Preliminary Actuals; Source: Nova Scotia Department of Finance

p Preliminary Projections; Source: Nova Scotia Department of Finance

**Nova Scotia Gross Domestic Product at Market Prices**

(Constant 1992 \$ millions)





**PERSONAL INCOME PER CAPITA**  
(dollars)

Schedule 18

| YEAR | NOVA SCOTIA (1) | % CHANGE | CANADA (1) | % CHANGE |
|------|-----------------|----------|------------|----------|
| 1992 | 18,784          |          | 21,710     |          |
| 1993 | 18,955          | 0.9      | 21,889     | 0.8      |
| 1994 | 19,007          | 0.3      | 22,071     | 0.8      |
| 1995 | 19,313          | 1.6      | 22,699     | 2.8      |
| 1996 | 19,459          | 0.8      | 22,954     | 1.1      |
| 1997 | 19,747          | 1.5      | 23,536     | 2.5      |
| 1998 | 20,558 *        | 4.1      | 24,246     | 3.0      |
| 1999 | 21,221 p        | 3.2      | 24,835 p   | 2.4      |
| 2000 | 21,789 p        | 2.7      | 25,622 p   | 3.2      |

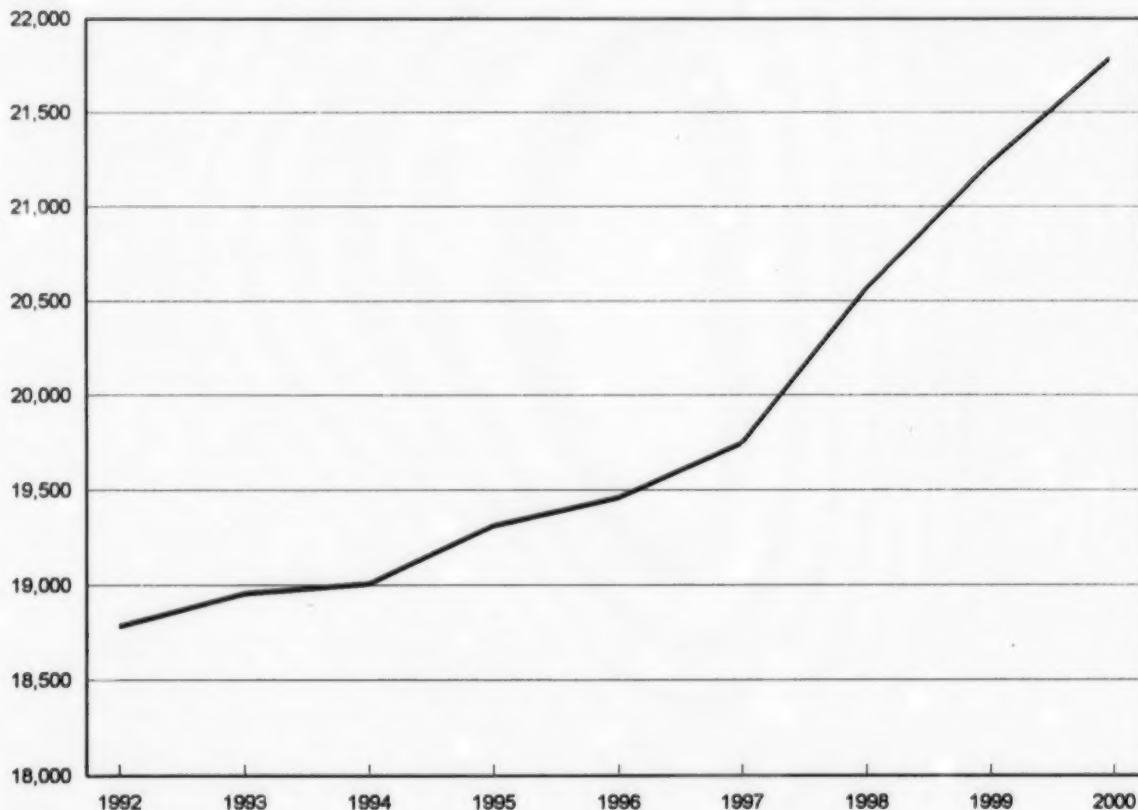
1 Source: Statistics Canada, Cat. Nos. 13-001-XPB, 13-213-PPB and 91-213, and Nova Scotia Department of Finance

\* Preliminary Actuals; Source: Nova Scotia Department of Finance

p Preliminary Projections; Source: Nova Scotia Department of Finance

**Personal Income Per Capita in Nova Scotia**

(dollars)



**NOVA SCOTIA LABOUR MARKET**  
(thousands of persons)

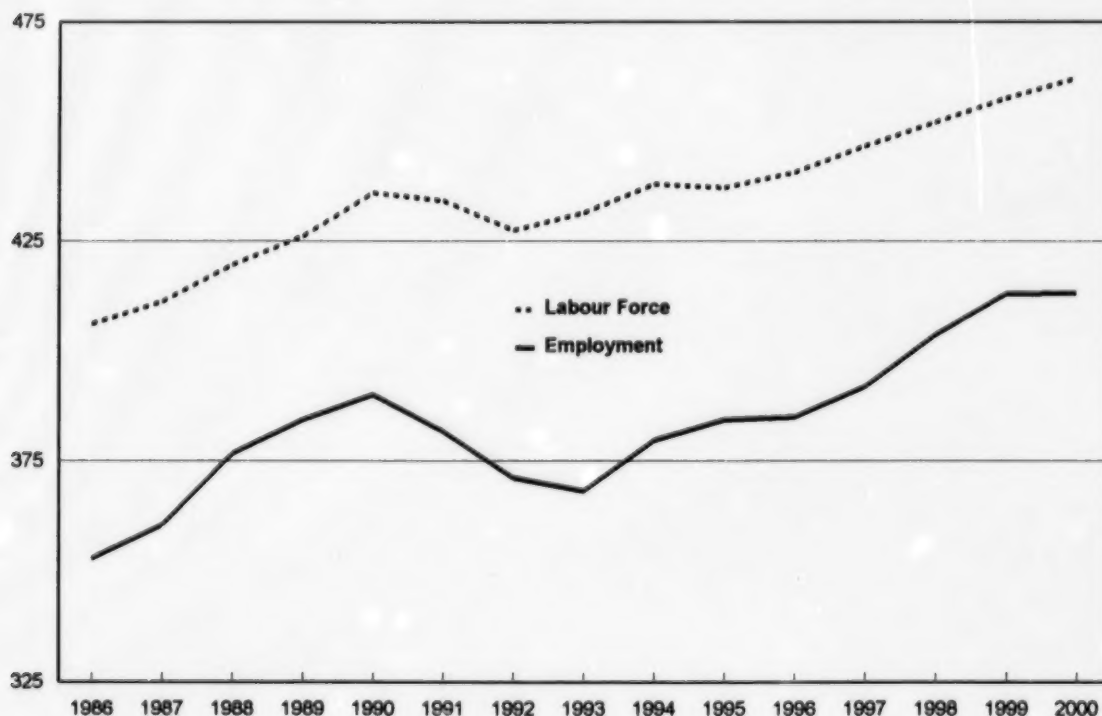
Schedule 19

| YEAR | LABOUR FORCE (1) | % CHANGE | EMPLOYMENT (1) | % CHANGE |
|------|------------------|----------|----------------|----------|
| 1986 | 406              |          | 353            |          |
| 1987 | 411              | 1.2      | 360            | 2.1      |
| 1988 | 420              | 2.0      | 377            | 4.5      |
| 1989 | 426              | 1.6      | 384            | 2.0      |
| 1990 | 436              | 2.3      | 390            | 1.5      |
| 1991 | 434              | (0.4)    | 382            | (2.1)    |
| 1992 | 427              | (1.5)    | 371            | (2.8)    |
| 1993 | 431              | 0.9      | 368            | (0.8)    |
| 1994 | 438              | 1.5      | 380            | 3.1      |
| 1995 | 437              | (0.2)    | 384            | 1.2      |
| 1996 | 441              | 0.8      | 385            | 0.2      |
| 1997 | 447              | 1.4      | 392            | 1.8      |
| 1998 | 452              | 1.2      | 404            | 3.0      |
| 1999 | 458 p            | 1.2      | 413 p          | 2.3      |
| 2000 | 462 p            | 1.0      | 413 p          | —        |

1 Source: Statistics Canada, Historical Labour Force Statistics, Cat. No. 71-201-XPB

p Preliminary Projections; Source: Nova Scotia Department of Finance

**Nova Scotia Labour Market**  
(thousands of persons)



**UNEMPLOYMENT**  
(thousands of persons)

Schedule 20

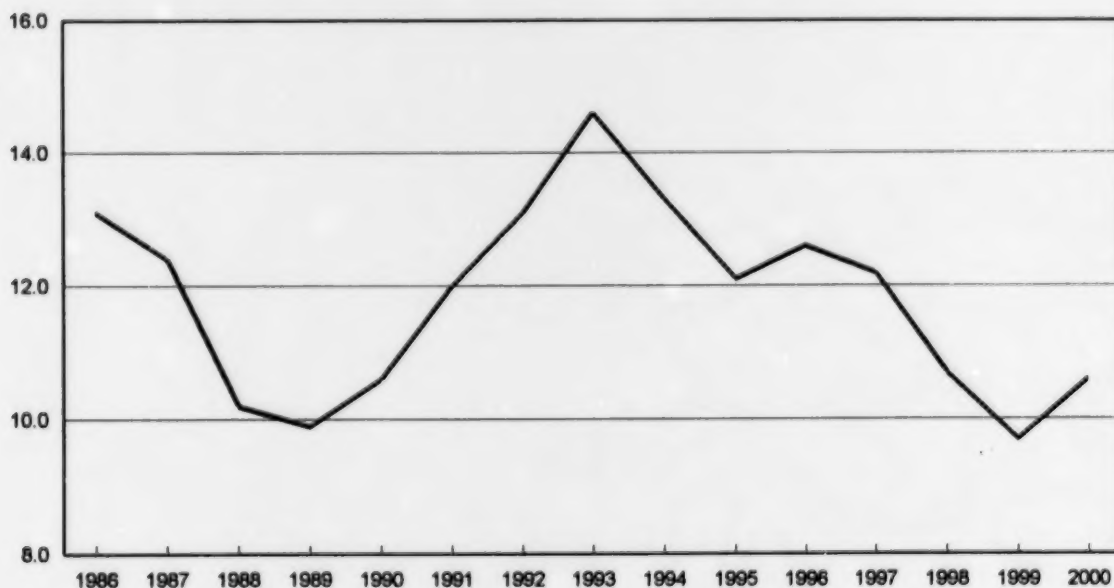
| YEAR | NOVA SCOTIA (1) |                        | CANADA (1) |                        |
|------|-----------------|------------------------|------------|------------------------|
|      | UNEMPLOYED      | UNEMPLOYMENT<br>RATE % | UNEMPLOYED | UNEMPLOYMENT<br>RATE % |
| 1986 | 53              | 13.1                   | 1,283      | 9.6                    |
| 1987 | 51              | 12.4                   | 1,208      | 8.9                    |
| 1988 | 43              | 10.2                   | 1,083      | 7.8                    |
| 1989 | 42              | 9.9                    | 1,065      | 7.5                    |
| 1990 | 46              | 10.6                   | 1,164      | 8.1                    |
| 1991 | 52              | 12.0                   | 1,492      | 10.4                   |
| 1992 | 56              | 13.1                   | 1,640      | 11.3                   |
| 1993 | 63              | 14.6                   | 1,649      | 11.2                   |
| 1994 | 58              | 13.3                   | 1,541      | 10.4                   |
| 1995 | 53              | 12.1                   | 1,422      | 9.5                    |
| 1996 | 56              | 12.6                   | 1,469      | 9.7                    |
| 1997 | 55              | 12.2                   | 1,414      | 9.2                    |
| 1998 | 48              | 10.7                   | 1,305      | 8.3                    |
| 1999 | 45 p            | 9.7                    | 1,261 p    | 7.9                    |
| 2000 | 49 p            | 10.6                   | 1,222 p    | 7.5                    |

1 Source: Statistics Canada, Historical Labour Force Statistics, Cat No. 71-201-XPB

p Preliminary Projections; Source: Nova Scotia Department of Finance

**Note:** The unemployment statistics shown in this table are annual averages of the monthly indices.

**Unemployment Rate in Nova Scotia**  
(Per Cent)







# Budget Bulletin

## Building on Tourism, Heritage, and Cultural Strengths

Halifax: October 14, 1999

The 1999-2000 budget provides for Nova Scotia's newest department, Tourism and Culture, with some \$40 million to further develop and promote the province's tourism, heritage, and cultural strengths.

"We've said that an intensive, sustained effort to promote tourism and culture in Nova Scotia will benefit our economy many times over and improve our quality of life," Finance Minister Neil LeBlanc said today. "A new department and this new budget reinforce our commitment to ensure that the province maximizes the benefits tourism and culture can bring."

The \$40-million budget supports a variety of programming commitments designed to realize Nova Scotia's tourism potential as a world-class four-season tourism destination. Funding support is also being used to develop and preserve the arts and Nova Scotia's cultural and natural heritage and cultural industries.

"Investments in tourism and culture bring significant returns to the province," said Rodney MacDonald, Minister of Tourism and Culture. "Each of these two sectors employs tens of thousands of people, with jobs located in every town, village, and city across the province."

Opportunities to further develop the province's tourism and cultural strengths also enable community economic development to thrive. In addition, direct revenue to the province continues to grow every year as a result of tourism and cultural initiatives. For example, last year \$1.1 billion in tourism revenue generated \$106 million in provincial and municipal taxes and employed 33,000 Nova Scotians.

The new department has already made progress on a number of government priorities, including working with the Tourism Partnership Council to expand participation in marketing plan development and to develop themes, programs, and initiatives that build on Nova Scotia's reputation as a year-round, world-class tourism destination. The new joint industry-government tourism marketing plan will be presented to industry at large at the fall Tourism conference in November 1999.

Additional department priorities include working with the heritage and cultural sector to release, review, and implement the Culture Sector Strategy and to quantify the economic value of the cultural sector. As well, the department will work with the Department of Economic Development to promote Nova Scotia's craft industry as an integral and important sector of our economy. The value of the cultural sector, as an industry, is estimated at well over \$500 million.

For more information contact:  
Angela Poirier, (902) 424-1593  
Nova Scotia Department of Tourism and Culture  
e-mail: [poiricam@gov.ns.ca](mailto:poiricam@gov.ns.ca)





# Budget Bulletin

## Agriculture and Marketing Funds Advanced for Drought Relief

Halifax: October 14, 1999

**N**ova Scotia farmers will get additional drought relief this year. A total of \$10 million in funding was announced today as part of the 1999–2000 provincial budget. Finance Minister Neil LeBlanc said the disastrous effects of a third consecutive year of dry weather has made the shift in funding critical.

“Already some funding had been allocated for farmers needing weather relief assistance this year,” said Mr. LeBlanc. “But after even more severe conditions, for the third consecutive season, we feel it is absolutely essential to reallocate the funding to relieve the burden on farmers now.”

The funds are budgeted from the province’s \$20-million five-year Weather-Related Relief Program which began April 1, 1999. Approximately \$4 million had been allocated under the program for the 1999–2000 budget year. The additional \$6 million has been advanced from program funds reserved for subsequent years as a result of the devastating impact this past summer’s dry weather has had on the province’s agriculture industry.

“Farmers in Nova Scotia need this additional money now or there will be far-reaching repercussions for the entire agricultural industry, and ultimately for Nova Scotia,” Agriculture and Marketing Minister Ernest Fage said. “We know that when industries like agriculture thrive, Nova Scotia as a whole thrives. This advancement of funds will help ensure that an industry which has been a strong contributor to the economy will be in a position to make an even stronger contribution in the future.”

Agriculture in Nova Scotia contributes \$1 billion a year to the provincial economy and supports 16,000 jobs across the province. In recent years, the industry has been dealing with the challenges of low rainfalls and high temperatures in some areas, notably the Annapolis Valley, where a great deal of the Nova Scotia’s agricultural production is located.

Projected total losses for primary agriculture, through reduced crop yields and livestock feed shortages, have been placed as high as \$50–60 million for this growing season. The horticultural sector (apples, berries, vegetables, nursery stock, etc.) project a loss of nearly \$10 million. In field crops like corn and grains, the estimate is even higher, at close to \$25 million.

The Weather-Related Relief program was designed to offset losses incurred during the 1997 and 1998 growing season and provide on-going support to the industry as it faced additional weather-related challenges into the new millennium. The advanced funds will be used to assist in the severe losses incurred during the 1999 growing season. Administered by the Nova Scotia Farm Loan Board, the program provides farmers with assistance based on their individual needs.

For more information contact:  
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e-mail: [godlielm@gov.ns.ca](mailto:godlielm@gov.ns.ca)







# Budget Fact Sheet

## Tax Review

Halifax: October 14, 1999

**T**he Nova Scotia Department of Finance is evaluating its personal and corporate income tax credits and sales tax rebates. The review was announced today by Finance Minister Neil LeBlanc as part of the 1999-2000 budget address.

The evaluation will investigate the level of take-up, the effectiveness of achieving the credit objectives, the potential cost, and the investment payback of the tax expenditures.

The Province wants to ensure that tax expenditures are accomplishing the goals intended at a reasonable cost. Tax expenditures or credits and rebates are tax dollars the government declines to collect in order to create a social or economic benefit.

### *Corporate Income Tax Credits*

The review includes:

#### **Research and Development credit**

- This is a refundable 15% credit for undertaking research and development activity in Nova Scotia. The total tax expenditure amounts to some \$11.25 million.

### **Investment Tax Credit**

- A 30% non-refundable Investment Tax Credit for investments in new manufacturing plants and equipment for a tax expenditure of \$27.4 million.

### **Film Tax Credit**

- The film tax credit is worth some \$4 million and is a 32.5% credit for using Nova Scotia labour in film work undertaken in Nova Scotia.

### **Small Industry Tax Holiday**

- This is a three-year tax holiday on the first \$200,000 of taxable income of a newly established business in Nova Scotia. The estimated tax expenditure is \$570,000.

### **Small Business Rate Reduction**

- This 11% rate reduction (from 16% to 5%) on the first \$200,000 of small business taxable income. The total tax expenditure is estimated at \$43.8 million.

### *Personal Income Tax Credits and Tax Expenditures*

The review includes:

### **Equity Tax Credit**

- This is a 30% non-refundable credit for investment in new eligible business in the province. It is an estimated tax expenditure of \$2.1 million.

### **Labour Sponsored Venture Capital**

- The labour sponsored venture capital tax incentive is a 15% non-refundable credit on eligible investments in register labour-sponsored investment funds — a tax expenditure estimated at \$400,000.



Department of Finance

#### **Low Income Tax Reduction**

- This program offers a reduction of personal income taxes payable to low-income singles and families. The total tax expenditure is estimated at \$25.2 million.

#### **Other**

- Other programs under review include the, the tax credits for Political Contributions and Stock Savings. Combined, these program provide a tax expenditure of approximately \$450,000.

#### **Harmonized Sales Tax Rebates**

The rebates under review include:

##### **New Home Construction**

- This program is designed to encourage new home construction and reduce the cost for consumers. The rebate is 1.5 points of the 8% provincial portion of the HST up to a maximum rebate of \$2,250. Estimated Provincial cost is \$6,321,000.

##### **Municipalities**

- Rebate of both federal and provincial portion of the HST at a rebate rate of 57.14% of HST. Estimated Provincial cost is \$18,852,000.

##### **Universities and Colleges**

- Rebate of both federal and provincial portion of the HST at a rebate rate of 67% of HST. Estimated Provincial cost is \$7,150,000.

##### **Schools**

- Rebate of both federal and provincial portion of the HST at a rebate rate of 68% of HST. Estimated Provincial cost is \$5,800,000.

##### **Hospitals**

- Rebate of both federal and provincial portion of the HST at a rebate rate of 83% of HST. Estimated Provincial cost is \$12,049,000.

##### **Government Supported Non-Profit Organizations**

- Rebate of both federal and provincial portion of the HST at a rebate rate of 50% of HST. Estimated Provincial cost is \$1,055,000.

#### **Charities**

- Rebate of both federal and provincial portion of the HST at a rebate rate of 50% of HST. Estimated Provincial cost is \$4,620,000.

#### **Printed Books**

- Rebate of provincial portion of the HST. Leaving Federal portion of 7%. Estimated Provincial cost is \$5,322,000.

#### **Persons with Disabilities**

- Rebate of provincial portion of the HST up to a limit of \$3,000 on a vehicle and \$300 on a computer. Estimated Provincial cost is \$200,000.

#### **Volunteer Fire Departments and Search and Rescue**

- Rebate of the balance of the provincial portion of the HST up to a limit that would apply to a emergency vehicle purchase of \$185,000. Estimated Provincial cost is \$500,000.

The level of tax expenditures has been growing significantly in recent years, and some credits have been in place with little change over that time. This evaluation is part of the government's commitment to review all programs and services and will present a comprehensive analysis of how these credits are working for those who participate, as well as for the Province. It will assist the government in its decisions about which incentives it will continue to offer.

The evaluation of several of the larger credits is expected to be completed by the spring budget. Based on the results of the evaluation the government can consider any changes required.

#### **For information, please contact:**

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Nova Scotia Department of Finance  
cameronb@gov.ns.ca